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Daily Report

China

**FBIS-CHI-89-027
Friday
10 February 1989**

Daily Report

China

FBIS-CHI-89-027

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General

South Africa Urged To Abandon Apartheid Policy *OW0902170289 Beijing XINHUA in English* *1511 GMT 9 Feb 89*

[Text] Geneva, February 9 (XINHUA)—China called on South Africa today to abolish its apartheid racial discrimination policy.

Speaking at the 45th session of the U.N. Commission on Human Rights, Chen Shiqu, alternate representative of the Chinese delegation, urged Pretoria to "follow the trend of history" and rid the country of the apartheid system of racial separation.

He condemned the South African regime's decision to persist in the racist policy and massive repression of the country's black majority. And he called for coordinated efforts and more effective sanctions against South Africa.

"Although the political situation in southern Africa has undergone some changes of this or that nature due to various factors, the massive and gross violation of human rights as a result of the apartheid system in South Africa remains unchanged," Chen said.

He added that international support will help South Africans "achieve the final victory" in their struggle for racial equality and fundamental human rights.

The Chinese Government and people will continue supporting the South African people in their struggle against racism and apartheid, Chen said.

International Media Welcomes Shevardnadze's Visit *HK1002073589 Beijing RENMIN RIBAO* *in Chinese 6 Feb 89 p 3*

[XINHUA report by reporters Wan Chengcai (8001 2052 2088) and Cheng Aiheng (4453 1947 3801): "Mass Media in Various Countries Follow With Interest the Soviet Foreign Minister's Visit to China, and Welcome the Normalization Process of Sino-Soviet Relations"]

[Text] Beijing, 5 Feb—During the past few days Soviet Foreign Minister Shevardnadze's visit to Beijing has become a major topic that mass media in various countries have followed with interest. News agencies have published a large number of reports and articles pointing out that the visit is further preparation for the Sino-Soviet summit meeting that is going to be held for the first time in 30 years. They believe that the summit meeting will be a major international event this year.

An article published by KYODO NEWS AGENCY of Japan stressed: The normalization of Sino-Soviet relations "will bring a new political order to international relationships," and "will give impetus to the current international trends of changing world tension into relaxation, and confrontation into dialogue," and "will

promote world peace and stability." Sources from the Japanese Foreign Ministry welcomed the results of the talks between the Chinese and Soviet foreign ministers and believed that the normalization of relations between the two countries would have a "good influence" on the settlement of the Cambodian issue. The CHICAGO TRIBUNE of the United States quoted Western diplomats in Beijing as saying: Normalization of Sino-Soviet relations will benefit the United States, rather than going against its interests. An editorial in Great Britain's GUARDIAN pointed out: With the normalization of Sino-Soviet relations, "there is no need for any angle in the triangle of the United States, the Soviet Union, and China to conflict with the other two angles."

Public opinion in various East European countries also generally welcomed Soviet leader Gorbachev's forthcoming visit to China. BERLINER ZEITUNG of Democratic Germany emphasized that any unanimous agreement reached at the Sino-Soviet summit meeting would be a matter of "tremendous significance." A Bulgarian source said: Normalization of Sino-Soviet relations not only benefits the Chinese and Soviet peoples, it is also a matter of "special significance" for Bulgaria.

In the meantime, mass media in various countries have also stated that there are still differences between China and the Soviet Union with regard to the Cambodian issue, and that further negotiations are still needed.

Scholars To Discuss Socialist Reform in U.S. *HK1002075589 Beijing ZHONGGUO XINWEN* *SHE in Chinese 0935 GMT 8 Feb 89*

[Report by correspondent Zhang Rongzhou 1728 2837 3166]: "Chinese, American, and Soviet Scholars Will Hold an 'International Symposium on Socialist Reform' for the First Time"—ZHONGGUO XINWEN SHE headline]

[Text] Beijing, 8 Feb (ZHONGGUO XINWEN SHE)—The "International Symposium on Socialist Reform," which Chinese, American, and Soviet scholars are sponsoring for the first time, is scheduled to take place in the U.S. city of Portland on 9 February. Five experts from the Chinese Academy of Social Sciences, Li Xuekun, Yan Jiaqi, He Zuerong, Zhao Zhenying, and Feng Shize, departed for the United States today by plane.

According to delegation head Li Xuekun, the current symposium, which was initiated by the "China Council of Western United States," has been brewing for 1 year. The current international situation has two major characteristics: One is that the universal development of detente has changed the past situation in which big powers were locked in diplomatic wars characterized by "card playing," and the other is that the waves of reform have brought a breath of "fresh air" to mankind. People wish to understand the influence of reforms in socialist countries throughout the world. Scholars from the three

countries will discuss this issue. The discussion will include such areas as politics, economics, culture, history, and international relations.

The Soviet scholars attending the symposium will be headed by well-known Professor (Popov) of Moscow University's Economics Department, who is one of Mikhail Gorbachev's principal think tankers. Of the eight American scholars, including Professor [mai er gu te fu 7796 1422 0657 3676 1381], president of the University of Oregon's International Political Research Institute, will attend the symposium, four are experts on China affairs and the rest are experts on Soviet affairs.

One source said: During the 4-day symposium the participating scholars will exchange lengthy theses. The title of Li Xuekun's thesis is "the Contention Between Chinese and Western Cultures in the Process of Modernization," Yan Jiaqi's is "Socialist Politics," Zhao Zhenying's is "China's Economic Reform," He Zuorong's is "The Theory and Practice of Socialism at the Initial Stage," and Feng Shize's is "Chinese Literature's Pluralistic Tendency."

Comparing Chinese and Soviet reform, Li Xuekun says: The five Chinese scholars share the common view that China started its reform very early and its economic achievements are conspicuous, but currently the reform has encountered greater difficulties, which call for a solution. The Soviet Union got a late start in its reform, but it is fully theoretically prepared. Political reform goes ahead of economic reform and the latter has achieved nothing so far. This is the special feature of Soviet reform. To put it briefly, both sides need to explore the models of socialist reform under different national conditions.

Reform of Socialist Countries Viewed, Part Two
HK1002030089 Beijing SHIJIE ZHISHI
in Chinese No 2, 16 Jan 89, pp 4-11

[Speeches by Wang Xingbin (3769 5281 2430), Yu Haocheng (0060 3185 2052), Li Huichuan (2621 0565 1557), and Gao E (7559 6948) at the 22 November 1988 Forum on Reunderstanding Socialism and Reform of Socialist Countries, Part Two; Part one was published in the 7 February China DAILY REPORT]

[Text] Speech by Prof Wang Xingbin of the Beijing Second Foreign Languages Institute: Progress and Knotty Problems in Reform.

In the 1980s, especially the past 2 years, reforms in socialist countries have taken on several marked characteristics:

1. **Universality.** Reform has spread from Eastern Europe to Asia, and from small nations to the two powers, the PRC and the USSR. Other Asian nations, including Mongolia, Vietnam, and Laos as well as Cuba in Latin America, have also carried out reforms, despite the differences in degree.

2. **All-inclusiveness.** Reform has touched upon not only the economic area, but also all areas in social life, including politics, military affairs, science and technology, education, literature and art, and journalism. It has involved domestic policies, while extending to foreign relations, with both domestic and foreign policies undergoing readjustment.

3. **Profundity.** Reform is developing in depth. It has touched upon some matters of a basic nature in the socialist structure, and run into some areas that had been strictly forbidden for many years. A series of questions has been posed. For example, is political, economic, ideological, and cultural pluralism possible for socialism? Should the communist party monopolize the government? How to implement the separation of the party and the government in their functions? Can the economy of public ownership and the private sector of the economy develop in coexistence, while supplementing each other's needs, working together in harmony, and competing with each other? How should planned guidance be linked to market regulation? How to do a good job in building the commodity economy on the basis of public ownership? Should joint-ventures with Chinese and Western investments be allowed to operate, and foreign businessmen be allowed to make monopolized investments in China? Will it be possible for the world's two social systems to be engaged in peaceful competition in long-term coexistence and simultaneous development? Will their development be parallel to, or overlap each other? CPSU Central Committee Secretary Vadim A. Medvedev has recently stated that socialism and capitalism may overlap each other in their development. Now this forbidden area has also been broken through.

4. **Taking the initiatives into one's hands.** In carrying out reforms, various socialist nations have learned from each other, exchanged, and referred to each other's experiences, and pushed each other forward on the basis of independence, taking the initiative into one's own hands, and equality. Invariably, all nations have stressed independence as well as taking the initiative into one's hands, while carrying out reforms based on the actual conditions of one's own nation. At the same time, relations between the USSR and East European nations are developing along the line of equality, and China's relations with the USSR and East European nations have gradually become normalized in the course of reform. Between the socialist countries, a new-type of country-to-country and interparty relations are taking shape on the basis of the five principles of peaceful coexistence. Gone is the era in which reform in one nation must be approved by another, or else it would be doomed to suppression. In addition, confrontation is changing into

dialogue, and strain into relaxation in the world situation. This has provided a very favorable international environment for the reforms of various countries.

Therefore, I think the reforms in the 1980's have surpassed those in the 1950's, the 1960's, as well as the 1970's, and have genuinely shaped into an irreversible tide in the world. However, on the other hand, the reforms are facing some knotty issues that should not be neglected. Two outstanding aspects of these issues are as follows:

1. The imbalance in the development of reform has aggravated. While the majority of nations are going all out to push reform forward, some of them have continued to adhere to, and to intensify the highly centralized structure. Others have put on the brakes when problems cropped up in the course of reform, and turned back to the old way. Still others have implemented some reforms in their former domestic and foreign policies, while opening their tightly shut doors a little, leaving the old centralized structure intact. They have not given up their regional hegemony either; hence, they are bogged down in economic crises.

2. Reforms Have Entered the Phase of "Storming Heavily Fortified Points. Grave economic difficulties have surfaced in some nations that initiated reform ahead of others, and once scored marked results, and in other nations that conducted reforms with larger strides, such as Yugoslavia, Hungary, and Poland. Such difficulties are mainly inflation, price hikes, heavy foreign debts, lowering some people's living standards, and ideological confusion inside and outside the party. Consequently, partial turbulence has surfaced. The momentum of the Soviet political structural reform has been great, and sparked off nationality issues, while intensifying inner-party contradictions, whereas the results of economic reform are not so keenly felt. There are divergent opinions on how to view the problems surfacing in these nations. A correct understanding of the root causes leading to these problems will have a great bearing on whether the reform should go on, and how.

Two Lines of Thinking Regarding Reforms

Some nations have met with economic troubles in the course of reform. What to do? It seems that there are two kinds of understanding and two lines of thinking today.

One line of thinking is that economy is considered as it stands, while nothing substantial is carried out with political structural reform. An existing view at present is that, South Korea, Chile, and Brazil have made their economies go up under military rule and autocracy. Some people wrote in the press, saying that, in the case of West European capitalism, the commodity economy was developed under the monarchical system before the pursuit of political democracy. This implies that commodity economy, socialization, and modernization could be conducted ahead of political democratization, legalization, and modernization. To my mind, such

experiences in capitalist development are inapplicable to socialist countries. In capitalist countries autocracy chiefly finds expression in strict control over political life and social opinion, while direct control over every link and every enterprise in the national economy is unheard of, nor is it capable of doing so. Therefore, within a certain period, the commodity economy might develop under the conditions of monarchical autocracy or military rule in one way or another, before a conspicuous settlement of political democratization was on the horizon. Whereas the highly centralized economic structure in socialist countries has been established, intensified, and operated on the basis of a highly centralized political structure. Every link and enterprise is under the direct control of government organs. So long as such administrative control continues, a genuine commodity economy is out of the question. Many socialist countries have talked about pursuing the commodity economy, and some have talked about it for 20 or 30 years, but have failed, to date, to build a genuine commodity economy. What is the failure's root cause? At the Socialist Alliance of the Working People of Yugoslavia Central Committee Plenary Session convened in October 1988, Presidium President Stipe Suvar said: "The root cause of the failure of economic reform in Yugoslavia as well as in all other countries lies in the fact that ossified political bureaucratic organs have no desire to give up their tremendous power, thus ruining the law governing the economy, primarily the functions of the law governing the market." Although Yugoslavia has done away with centralization at the main level in the course of reform, unfortunately, the indispensable power of the central authorities has been replaced by "regional nationalism," with more than eight regional markets surfacing and blocking each other in the country, and the unified domestic market has been split up. The development of the commodity economy involves three conditions: First, there must be a relatively independent subjective aspect of property rights, and this involves the ownership issue. Second, there must be markets for capital, materials and equipment, labor service, technology as well as information to form a whole range, while these production essentials should not fall into "official" monopoly; otherwise, such phenomena as "official approvals," "official profiteering," and "government monopoly of commerce" will surface. And third, there is need to complete and perfect the legal system to guarantee an environment of free competition based on equality for all men and enterprises. The settlement of these three conditions are inseparable from political structural reform. In a political structure characterized by unity of the party and government, and unity of the government and the enterprise, it is by no means possible to develop a genuine commodity economy. The experiences of various nations in both Europe and Asia have shown that a new order of socialist commodity economy is out of the question without its coupling with a new order of socialist democratic politics.

Therefore, another line of thinking for reform comes into being, namely, the line which Yugoslavia, Hungary, and

the USSR are ready to adopt today. The Socialist Alliance of the Working People of Yugoslavia believes that the main cause leading to Yugoslavia's reform failure was the separation of, and lack of synchronicity between, economic, political, and party reform in the past. In April 1988 Karoly Grosz, Hungarian Socialist Workers' Party general secretary, said that the chief lesson of Hungarian reform was "the failure in simultaneously modernizing the political system" in carrying out economic reform. The November 1988 Hungarian Workers' Party Central Committee Plenary Session held that the basic causes leading to the grave mistakes in economic policies without correction over the past 15 years were the "overcentralized decision-making mechanism," "the selection of leading members based on subjectivism," and "the activities of leading members deviating from the supervision of society." The Bulgarian Communist Party Central Committee also proposed at its December 1988 plenary session that a top-down political structural reform must be carried out; otherwise, reform would fail to achieve its expected goal. When summing up Soviet reform, Gorbachev also believed that the root cause of its ups and downs, and its abandonment half way through was rooted in the failure to carry out political structural reform. It was by no means a coincidence that the theme of the national conferences for representatives convened separately in Yugoslavia, Hungary, and the USSR in 1988 should unanimously be political structural reform. We shall wait and see the results of this line of thinking and the measures for its implementation, but worthy of note is an important characteristic of the reform situation in 1988, namely, the great importance attached to political structural reform as well as the courage to nail down the crucial points of the old structure.

Pluralism of Socialism

Socialism has been regarded as a monistic society for several decades. In pursuit were public ownership and state ownership economically, the communist party's unified leadership politically, "the unanimity of public opinion" ideologically, the unanimity concerning the interests of all people in social structure, the "monistic" transition of society, and the "leaning to one side," "one camp," as well as "one big family" in foreign affairs. In short, monism was the theoretical basis for the highly centralized structure, with "pluralism of socialism" being "heretic." This forbidden area has been broken through in recent years. Today, the issue of pluralism is discussed openly in the press in Hungary, Poland, Yugoslavia, and Czechoslovakia, while some of the results of the discussions have even become part of various parties' documents. The Soviet leaders have also proposed "pluralism in socialist public opinion," and advocated pluralism in public opinion regarding the party's domestic and foreign policies. In a 28 September 1988 RENMIN RIBAO editorial the concept of "pluralism" was also ascertained. The editorial pointed out that, in the course of reform, a trend of pluralism in the interests of various social strata and groups has surfaced. We may say that "pluralism in socialism" became a popular topic among many socialist countries in 1988.

Little controversy exists regarding pluralism in the economic factors and interests as well as ideological concepts in socialist society. Rather, the focus of controversy lies in whether it is necessary to pursue political pluralism, and how to understand and implement political pluralism. There are mainly three different views: 1. "Pluralism in the political structure" under the one-party system; 2. pluralism inside the party, namely, normal inner-party debates of different views should be allowed and encouraged; 3. pluralism outside the party, namely, multiparty existence should be allowed. The Soviet paper IZVESTIA carried a signed article on 14 November 1988 holding the view that "the multiparty system of socialism is one of the major contributing factors to developing all-around socialist democracy in the future." The fact that IZVESTIA carried this article shows that "pluralism in public opinion" has actually been implemented in the USSR!

In Hungary political pluralism is given expression in real life. Some 7,000 political organizations have surfaced in the wake of the May 1988 Hungarian Communist Party National Conference. Some of these organizations have demanded participation in the next parliamentary elections. The Hungarian president of state, a nonparty member, said that if the Hungarian Communist Party can make the best use of the situation and guide the struggle to victory, allowing the surfacing of various political organizations, while keeping the political situation stable, the opening up of a new political atmosphere in Hungary is likely to take place. Of course, while deciding to implement the principle of pluralism, the Hungarian Communist Party has also proposed the principle of adhering to the socialist orientation and the party's role of leadership.

In Poland "pluralism" was first proposed by the independent self-governing trade union Solidarity on its political program to seize power from the Polish United Workers' Party. The Polish United Workers' Party has persisted in the view that adherence to the system and order as stipulated in the Polish Constitution should be the demarcation line in the pursuit of "pluralism," while the emergence of whatever antisocialist "pluralism" must be banned. But in concrete practice, Poland has founded a "Social Consultative Committee," and is ready to hold a round-table conference inviting the participation of the opponents, including the representatives of the independent Solidarity Trade Union, to negotiate and talk with them. Arising therefrom is another issue worthy of study, namely, should socialist countries lift the ban on open activities of political sects that deviate from socialism, but refrain from jeopardizing the Constitution? Of course, this involves a precondition that the Constitution should never be jeopardized nor should the penal code be violated.

Inner-Party Democratization and Leaders' Tenure

Many socialist countries have, in recent years, proposed that, inner-party democracy is the key to social democratization. The Hungarian Communist Party has proposed that the party will become its own "opposite"

under the one-party system, and should acknowledge that pluralism in views is normal, while encouraging "civilized debates" between different views. Earlier, Hungary and Yugoslavia declared that the speeches and articles of any party leader represent only his own views, which do not require imperative implementation by subordinate party organizations and members. Only the resolutions and decisions adopted by the party collective must be implemented by subordinate party organizations and members. It is an objective existence that inner-party controversy of all kinds exist (including the party's leading echelon), especially at a crucial point in reform. An indispensable condition for developing social and inner-party democracy is to reveal such disputes to the public in implementing glasnost so as to improve the bearing capacity of the masses inside and outside the party regarding such disputes. Today, at conferences of various descriptions inside and outside the party in the USSR, Hungary, and Yugoslavia, in their press as elsewhere, different views on reform can be seen, and many ways of Lenin's times have been restored and developed. It may seem confusing, but in fact, it is an expression of the party's strength and hopefulness.

Another topic of inner-party democracy is the tenure of leading members at all levels, and the method of their replacement, which have roused the attention of the CPSU and many East European parties. Back in 1986 Hungary stipulated that leading members of the party and government at all levels, and social organizations as well, should terminate their office after two terms. The May 1988 Hungarian Socialist Workers' Party National Conference adopted the decision that party and supervision committee secretaries at all levels, from central to grass roots, should terminate their office after two terms. The party constitution adopted at the 10th Polish United Workers' Party National Congress stipulates that the tenure of leading party members at all levels be limited to two terms; should a third term be found necessary, it will be effective only when a secret ballot is conducted with a majority exceeding two-thirds of the votes. The April 1988 Czechoslovakian Communist Party Plenary Session stipulated that the maximum length of office for the party's general secretary be two terms, and that for state and county party committee secretaries be three terms. The January 1988 Bulgarian Communist Party National Conference decided that the tenure of leading members at all levels, from central down to grass roots, be limited to two terms, while never exceeding three terms should specific conditions require. The 19th CPSU National Conference convened in 1988 officially adopted the two-term tenure for leading members at all levels, while saying no to the view that individual leading members may stay in office for three terms. Of course, the literal implementation of decisions will be tested through practice. But we cannot deny that their being written down in black and white as party decisions is a great progress in the history of the communist movement and the history of socialist development.

In connection with tenure are the questions of how to conduct the selection and replacement of the party's

leading members, and how to link appropriately collective leadership with the responsibilities of the individuals, so that the leading core may constantly undergo the process of metabolism, be full of vitality, and maintain the continuity and relative stability of the leading core, while the democratic procedures regarding the tenure of leading members and their replacement may be institutionalized. This is an important topic in political structural reform.

Different Initial Points and Trends in the Reforms

Various socialist countries in Europe and Asia have set up similar political, economic, and cultural patterns and diplomatic structures. In the new historical phase with world peace and progress as the theme, the majority of these nations are carrying out reform to suit the needs of the world's commodity economy and political democratization, and to deal with the intense competition in comprehensive national strength with economy, science, and technology as the core. They share many things in common, and can learn from, and refer to each other's experiences. However, the differences between them are more often than not neglected, especially the great differences between the USSR as well as the East European countries and their Asian counterparts.

At present the majority of East European countries and the USSR are up to the level of intermediate developing countries, and have long completed the traditional industrial revolution. Their chief task is to catch up with the modern revolution in science and technology, so that their national economies may be founded on a high level of science and technology. In the 1980's the USSR and East European countries' urban populations account for an average 64 percent of their total populace. The distribution of their work force is: agriculture, 21 percent; industry, 40 percent; and service trades, 39 percent. The annual per capita national income ranges from \$1,500 to some \$4,000. They have succeeded in making secondary education universal, and those with a tertiary educational background account for one-fourth or one-fifth of the entire work force. From the angle of their historical backgrounds, cultural traditions, religious beliefs, and life-styles, they are closer to West Europe, and belong to a European-type political and cultural system.

Most of the Asian developing socialist countries have not yet completed the traditional industrial revolution, with the bulk of their work force, as well as their populace, confined to the rural areas. They are still working hard to make primary education compulsory. Their annual per capita national income ranges from some \$1,200 (Mongolia) to less than \$100 (Vietnam and Laos). Their historical backgrounds, cultural traditions, religious beliefs, and life-styles are markedly different from the USSR and East European countries.

Thus we can see that the USSR, as well as the East European countries and the several Asian countries, have conducted their socialist construction and reform

from different initial points. Therefore, the differences will be great in the level of development in, and the structures of commodity economy, political democratization, and cultural modernization. They may refer to, but not copy, each other's experiences. A trend worthy of note at present is that, the USSR, Hungary, and Poland have attached great importance to studying the experiences of democratic socialism with the Swedish Social Democratic Labor Party as the representative. At the 19th CPSU National Conference Gorbachev mentioned seven major characteristics of socialism, with humanism topping the list. Implicitly or explicitly, we can see that these countries will refer to the practice of democratic socialism in their reforms. This indicates the general trend of these countries's future development.

In short, the majority of the communist parties of the USSR and East European countries were founded on the groundwork of, or the merger with, social democrats. USSR and the East European reforms will follow in the footsteps of democratic socialism in Western Europe. Despite the fact that this trend is just on the horizon, it will inevitably be pushed forward. To my mind, China should absorb all essentials of socialism and capitalism in the contemporary world to build a new socialist structure with oriental characteristics on the basis of inheriting and developing the historical experiences and tradition of the New Democracy and the Three People's Principles, put forward by Dr Sun Yet-sen! [end of Wang Xingbin's speech]

Speech by Yu Haocheng, Vice President of the Society of Political Science of China: The Key to Reform's Success or Failure:

Naturally, the law governing things, experiences, and lessons in the course of reform in socialist countries has roused the particular concern of China's theoretical circles. Socialist countries have certain things in common to refer to, despite the fact that in reform each country must start from its own actual conditions, but never copy others' experiences.

The Solution to Major Theoretical Issues Should Be Given Priority in Reform

Soviet reformists have attached greater importance to theoretical issues. Gorbachev set forth seven characteristics of socialism in his report delivered at the 19th CPSU National Conference. The first characteristic is that "socialism is a genuine, realistic system of humanism." However, some people in China spared no efforts to censure humanism a few years back, thus passing the banner of humanism to capitalism. The recent CPSU National Conference has decided to set up a monument in Moscow in memory of the comrades persecuted under Stalin's reign. Earlier, Gorbachev announced that "Stalin committed unforgivable crimes."

Reviewing the past to sum up historical experiences is to make progress in a more effective way. An ancient saying goes: "Past experiences, if not forgotten, are a guide for the future." Another saying goes: "It is advisable to refer to the past in viewing the present, for the present finds its root in the past." If we do not sum up historical experiences and lessons, how are we to determine the direction of progress? We should not evade the major disputes in the international communist movement since the 20th CPSU National Congress convened in 1956, or else there is danger of repeating the same mistakes of the USSR.

In short, a new understanding of socialism remains the biggest topic facing us today. Only by thoroughly correcting the distorted understanding of socialism, will it be possible to clarify the direction of reform, and to open the road to building genuine socialism. This is also the common task for all socialist countries and their people. We should see that most of our past mistakes, setbacks, and failures found their roots in theoretical mistakes.

On the one hand, we misunderstood Marxism; on the other, Marxism itself needs to be developed continuously. Just as a new understanding of socialism is necessary, so is a new understanding of capitalism. Recently some comrades proposed that capitalism has entered a new phase of social capitalism from free capitalism and imperialism (monopoly capitalism). Such an inference is worthy of note. It also seems necessary to reassess Lenin's criticism of social democracy. In fact, north European countries such as Sweden have more socialist factors than we thought. The weakness in social sciences is a major problem facing us today.

Democratization Is the Precondition for Realizing Modernization

Invariably, all socialist countries put politics in command of everything, including the economy. Progress is impossible if we fail to start with political reform. In consequence of their failure to carry out corresponding political structural reform, the past USSR and East European economic structural reforms failed, or yielded little results. Such a condition calls for our attention. Some people believe that modernization can be built sparing democratization, for, in their eyes, greater democracy and freedom will only cause trouble, jeopardize stability and unity, and affect efficiency. Hence, their conclusion that democracy and freedom do not help reform and modernization. Others have cited Asia's "four little tigers" for example, holding that the "four little tigers" do not bother to pursue democratization, but still they have succeeded in making their economies go up. In fact, the way they put it is wrong. What the "four little tigers" pursue is free economy, but not an economy under strict control. Moreover, their export-oriented economy primarily relies on the world market, and has very little to do with the domestic political situation.

The "doctrine of new authority" seems to hold sway in theoretical circles today. If authority is dealt with, it should imply the authority of democracy as well as the legal system. Only by strengthening the legal system will stability and unity be guaranteed.

Of late, many people have shared the view that, with the full development of the commodity economy, democratic politics will naturally surface. Hence, there is no hurry to build democratic politics. To prove this, they have quoted Marx in his discussion that rights should never exceed the economic structure, but be conditioned by it. This does not fall in line with genuine Marxism. In his late years, Engels pointed out on several occasions that the theory of economy determines everything, regarding economy as a decisive factor does not conform to historical materialism.

Opening Up to the World Should Be Omnidirectional

Today some people hold that losing control over public opinion is graver and more dangerous than losing control over the economy. This is actually the thinking in line with "Chinese learning for essential principles, Western learning for practical applications." Those who are for this thinking advocate that China should learn from, and refer to, advanced Western capitalist countries only in science, technology, and managerial methods. As for the spiritual aspect, they believe that oriental civilization remains the best in the world, while the traditional ideology and culture, with the doctrines of Confucius and Mencius as the core, are the groundwork on which the state is ruled, and should never be shaken. To date, some of us believe that the four cardinal principles should be adhered to, but never be developed. However, facts have told us that only by improving party leadership will adherence to it be possible; it is the same with Marxism-Leninism-Mao Zedong Thought.

Those who criticize the idea of wholesale westernization do not have to worry that China will go completely westernized, for a 100 percent Westernization is impossible. But it will be wrong, I think, if criticizing wholesale Westernization means learning only the West's science, technology, and managerial methods, but not their ideology and culture. Westernization means modernization. This is not a geographical concept, but a concept of the times. Japan's geographical position is in the East, but it is one of the major Western economic powers. Wholesale Westernization is unnecessary, nor is it possible. However, learning from the West must be omnidirectional, including science, technology, and managerial methods as well as all progressive things in politics, ideology, and culture.

The Principle of the Balance of Power Must Become an Indispensable Supplement to the Principle of Democratic Centralism

Mao Zedong said that Stalin gravely jeopardized the socialist legal system, and such practice would be impossible in Western countries such as the United Kingdom,

France, and the United States. Is it not the cause of it all worthy of our research? Although we do not pursue the balance of power, the principle of the balance of power should also be an indispensable supplement to the principle of democratic centralism, because this is the usual practice of all countries. Without the balance of power, power itself will lead to corruption. Both the PRC and the USSR have bitter lessons in this aspect. Recently Gorbachev proposed the founding of a Constitution Supervision Committee elected by the USSR's Supreme Soviet. This proposal has now been included in an amendment to the Constitution. By chance, this concept coincides with the 1982 proposal of some of our comrades that a constitution committee parallel to the NPC be founded. This is pursuit of the balance of power under the precondition that China maintain the People's Congress system, because it is not unlikely that contradictions may rise between a resolution adopted by the NPC and the constitution. This involves an institution and mechanism to prevent the surfacing of such a situation.

Gorbachev has stressed the rule of law, saying that the law should enjoy supreme authority, while some people in China's science of law circles criticized that the rule of law is the "theory of placing the law above all else," and a bourgeois concept at that. Now we are free to talk about the rule of law. The 13th party congress report has dealt with the completion and perfection of the law, saying that the long-range target of our political structure should be a mechanism characterized by a high level of democracy, completion and perfection of the legal system, vigorous vitality, and high efficiency. To my mind, while "making the legal system complete and perfect," it is necessary to stress "resolute implementation of the rule of law," because the formulation of a complete and perfect legal system does not necessarily mean the implementation of "the rule of law." It helps to resolve the issue of acquiring a law to abide by, but the problems of refusing to abide by the law when it does exist, and not being strict with exercising the law remain unsolved.

Implementation of Political Pluralism Is Inevitable

Today the tide of the world's democratic movement has swept many countries. Political structural reform in socialist countries is precisely the implementation of democratization. The press reported not long ago that Hungary is studying and discussing implementing the multiparty system; in the USSR, some 2,000 social organizations are on the horizon, while Poland's independent, self-governing trade union Solidarity has long been in existence.

In his address to the mass meeting with 7,000 participants in 1962, Mao Zedong said that open opposition inside the party should be allowed, so long as they refrain from conspiracy. Mao Zedong also said that where there are people they are invariably divided into left, right, and middle-of-the roaders, namely, different opinions and views will exist. He remarked: "The pursuit of one party falls in line with imperial mentality; it is a fairy tale

that no sects exist in any political party." It is acknowledged that in socialist countries, different social strata and groups of different interests continue to exist on the foundation of basically unanimous interest of the whole people, and there should be certain channels and organizational forms to represent the interests of those strata and groups.

The lack of democracy is one of the root causes leading to the malpractices (such as the flood of special privileges, bureaucratism, official profiteering, government monopoly of commerce, unhealthy tendencies in party spirit as well as various kinds of corruption) in China as well as other socialist countries. Unrestricted power will certainly turn sour. Democracy is the mechanism for correcting mistakes. [end of Yu Haocheng's speech]

Speech by Li Huichuan of the International Studies Center: Mankind Can Only Propose Tasks Which They Can Find a Solution:

Reform Is the Tide of the World Today

I know little about the issue under discussion, nor have I done any research on it. It is universally acknowledged that reforms of the socialist countries have shaped an irreversible tide. In the USSR reform was first embodied in Lenin's New Economic Policy; more recent reforms were those conducted by Khrushchev and Kosygin; and now, Gorbachev's reform is in full swing. In East Europe, Yugoslavia took the lead in reform; later Hungary, Poland, and Czechoslovakia followed suit. The process of studying each of the socialist countries for comprehensive comparison, specifically from the new angle of reform in the international communist movement today is made possible for the first time in history. This is an era for wide-ranging reflection, exploration, and changes. The purpose is to give thorough play to the socialist system's advantages. There are many topics of research for China, where reform is under way.

Two Occasions of Rather Wide-Scope Reflection in the West

Many people have proposed to study socialism as well as capitalism anew. In the 20th Century the West has gone through wide-scope reflection on two occasions. The first took place in the wake of World War I. World War I was unprecedentedly cruel, with the application of machine guns and tanks as well as gas, shooting, and bombing from airplanes for the first time in war history. German-made cannons were capable of firing shells across the British Channel and hitting targets in Great Britain. The world saw qualitative changes in conventional weapons. Why should mankind have slaughtered each other to such an extent? How could human civilization have so deteriorated? The massacre smashed the reason and faith in the progress of mankind built up since the Age of Enlightenment in the West, and many people were at a loss. A German middle school teacher, Spengler, wrote a book in some 2,000 pages, entitled "The Decline of the

West." In succession, the British historian Toynbee wrote a world history in 12 volumes, which was later shortened to a two-volume "A Study of History." They attempted to make a comprehensive study of the decline and fall of human civilization from every angle, from the cultural and social, as well as political. Of course, their studies did not fall into the category of historical materialism, and it was impossible for them to go deep into the substance of matters, nor were some of their analyses convincing. However, their attitude in scholarly studies was serious, and they initiated the speculative school of the philosophy of history, which played a great role in the study of history in the West. That was the first reflection after the great ideological pounding and shock among Western scholars, and is worthy of our review.

Like an earthquake of magnitude 8, the 1929-1933 great economic crisis, turned the world's no. 1 capitalist country topsy turvy, and left it in a state of constant anxiety. By comparison, the Soviet Union was thriving at that time. It took less than 4 years to complete the First Five-Year Plan. With so many projects of heavy industry built at home, the Soviet Union could still manage to export oil, grain, timber, and textile products to the world market. The spiritual features of its people underwent great changes, and it was really great! It left quite a deep impression on people in my age bracket at that time. It will be rather interesting to recall the scene in the United States during the great economic crisis. A great debate took place in the U.S. press, many articles were carried in such journals as: HARPER'S, THE ATLANTIC, AMERICAN MERCURY, and YALE REVIEW. The collapse in the economy was accompanied by a crisis of confidence. Some people exclaimed, "Never have we heard so many open sarcastic remarks about the democratic political structure and the institution of the United States." Others believed "the Soviet Union is the most interesting place in the world." Still others were for "borrowing communism from the communists." The Book of the Month Club recommended "A Brief Introduction to New Russia" to the readers. Some people found it unfair and posed the question, "Why should the Russians be the only ones enjoying the pleasure of transforming the world?" It was by no means an individual case where government people had connections with leftists. The Mississippi governor admitted "I myself am tainted with a bit of red." The Minnesota governor declared "Minnesota is a leftwing state." The dean of Harvard University's Business School definitely concluded, "Capitalism is standing a test. The future of Western civilization is determined by the consequences of the current test." That was another occasion of major reflection in the West. No panacea was found at that time. However, we must admit that the capitalist world did sum up their lessons, and adopt some measures. On the one hand, they practised some control over the free market-oriented economy; on the other, they somewhat restricted monopolizing trusts. World War II was even crueller than the preceding war. However, postwar policies toward the defeated nations were somewhat different. The Marshall Plan was implemented in West

Europe, while in Japan, some reform was conducted according to the U.S. plan under the supervision of the occupation armies. In short, the controlling power over the economy and the regulating measures for economic fluctuation were somewhat strengthened. Economic development in the West after World War II is a very big issue. I am not eligible to comment on that, and experts are involved in carrying out in-depth research.

The Future of Socialist Reform

In the remaining 10 years or so of the 20th century, socialism is facing many problems. Reform has been proposed, and it is necessary to break through the old framework in all areas including government, politics, economy, culture, value concepts, as well as international relations in order to make new strides. This is an action of the most far-reaching significance at a most crucial moment at the turn of the century, and millions upon millions of people are creating their own history. Of course, it will not be a bed of roses along the road of history.

There are only three kinds of future regarding whatever historical movements. First, failure. According to Toynbee, the challenges of nature and mankind itself are the motive force to make civilization prosper, but they will, sometimes, lead to the decline of civilization. He was viewing this issue from the angle of simple mechanics. I have always had a firm belief in one of Marx's maxims, "Mankind can only propose tasks to which they are capable of finding a solution" (that is the general idea of it). Second, rapid success with everything going smoothly. This is an idealistic but unrealistic development pattern. And third, progress with its ups and downs, correctness will be gradually approached, and expected results will be reached only by going through continuous feedback and correction. That is an arduous process. Regarding revolutionary development, Engels said with deep feelings in his later years: "That is exhausting, especially when you feel you have the mission to promote this process." We should not find it too difficult to comprehend this experience of Engels'.

The Key Lies in Determining the Correct Orientation

The 20th century has been full of important events. There were two unprecedentedly cruel world wars; socialism made a successful breakthrough; and socialist reflection and reform are in the ascendant toward the end of the century. Future generations will naturally sum up this rich and colorful century. Besides, no one can deny that the 20th century is an age of science and technological revolution, with every branch of science and technology advancing by leaps and bounds. The research on the atom has played a key role in science and technological revolution. The technological basis for the information society, including radio and television broadcasting, electronic computers, and lasers, has come into being on the basis of mankind's knowledge of the law governing electronic movement. Research on the atomic nucleus has helped to discover the largest energy deposit in

matter. Therefore, the research on the atom has played a leading role in scientific research in the 20th century. Because of a correct orientation, the progress of science has surged increasingly higher in the 20th century. If a correct orientation is determined in reviewing and summing up socialism toward the end of the 20th Century to explore a new way, it will beyond doubt exert tremendous effects on the development of mankind in the 21st Century. [end of Li Huichuan's speech]

Speech by Gao E, assistant secretary of the State Council's Institute of International Studies: The Readjustment in Soviet Foreign Policies:

Because of the time limit, I should like to say a only a few words on what I personally think of the readjustment in Soviet foreign policies.

Reform in the USSR has gained quite a momentum, and has been all the more vivid and dramatic in the field of foreign affairs, with Gorbachev's extraordinary boldness and spirit of blazing new trails embodied.

Two marked characteristics of Gorbachev in readjusting Soviet foreign policies are noted:

First, he has proposed perestroika, new thinking, and new concepts, while negating some traditional concepts, and started to resolve a series of problems accumulated in the pursuit of hegemony. The major new concepts are:

War is no longer the continuation of politics, for any victor in a nuclear war is out of the question;

The contradictions between socialism and capitalism can only be settled by peaceful means in historic emulation;

Socialism should not be confined to a single pattern, and variations of socialism is acknowledged;

In handling relations with socialist countries, contradictions between them should be acknowledged, and the interests of both sides be respected;

In handling relations with capitalist countries, peaceful coexistence is ascertained as the supreme and universal principle for country-to-country relations; while the old concept that peaceful coexistence is a specific form of class struggle has been negated;

In handling relations with Third World countries, it is acknowledged that every nation has the right to determine the road and pattern of development on its own, and that revolution should not be exported.

At present Soviet foreign policies are undergoing changes in line with these new concepts.

And second, to provide organizational guarantees for the implementation of the new diplomatic strategy, the diplomatic structure is going through consolidation and

reform. Gorbachev has taken direct charge of foreign affairs, working on the forefront in this field. He has conducted large-scope reshuffle and readjustment of diplomatic organs and personnel. The Soviet Ministry of Foreign Affairs called a discussion meeting with some 300 participants in late July 1988 to review and to sum up past work in foreign affairs. The meeting lashed at the pernicious influences and effects of the personality cult, subjectivism, and the theory that willpower determines everything, while proposing the implementation of democratization in the decisionmaking of foreign policies to change the situation in which a handful of people determine important foreign policies. The meeting advocated that departments of foreign affairs change the practice of "closed-doorism," characterized by making all matters classified, and that the people be absorbed to participate in the discussions on foreign policies. The meeting also proposed the main task for foreign affairs, namely "to seek friends while making fewer enemies." It stressed the need to make economic issues conspicuous in foreign affairs, while setting up groups taking charge of economic relations in various departments and administrations under the Ministry of Foreign Affairs. Such bold views and practices are entirely different from past traditional concepts.

From the practices of Soviet foreign affairs in recent years, we can also see that the USSR is getting rid of its past rigid and passive diplomatic ways, while showing greater flexibility, initiative, and vitality, with some progress and accomplishments made.

1. Soviet-American relations have been relaxed. U.S.-Soviet summits and talks at foreign ministerial level have been unprecedentedly frequent. The two sides have initialled the Intermediate-Range Nuclear Force Treaty, and continued talks on demolishing 50 percent of their strategic nuclear weapons.

2. Soviet relations with West Europe have been strengthened. Taking the initiative, the USSR has built closer political relations with West Europe, while their economic relations have also developed. The USSR got loan commitments in terms of \$9 billion from the West European countries in 1988 alone.

3. Its diplomatic activities in the Asia-Pacific region are in full swing. Gorbachev has made two consecutive speeches to explain Soviet diplomatic strategy for the Asia-Pacific region. In particular, he has expressed the hope for improving Sino-Soviet relations as a breakthrough in invigorating its diplomacy in the region.

4. It has attached importance to lowering the temperature in hotspot areas. It has supported the Iran-Iraq ceasefire, approved of the political settlement of the Cambodia issue, and agreed to pulling out its troops from Afghanistan. The Soviet pullout from Afghanistan is a major turning point in Soviet foreign relations. In fact, it has announced to the whole world the failure of

the USSR in its pursuit of hegemonism. This will eventually exert far-reaching effects on the Soviet military expansionist policy in the future.

It seems that the readjustment of Soviet foreign policies is serious, and with great determination. This has won the cautious acclaim of world opinion. But we should also see that, the Soviet readjustment in its foreign policies is limited by domestic factors while being restricted by international ones. It will be a long-term process, and will not be smooth sailing.

There are different views and attitudes in the world opinion regarding the readjustment in Soviet foreign policies. When some believe it to be a strategic change, others believe it to be tactical means. Some hold a positive attitude toward it, and others have expressed doubt about it. To my mind, whether the USSR will gain genuine trust from all nations in the world depends on its sincere attitude and earnest actions regarding the following issues:

1. To conduct all-around criticism and to settle account on the hegemonism in the past Soviet foreign policies.

2. To pull out Soviet troops stationed overseas, and to remove its overseas military bases.

And 3. To reduce the huge size of its army and military expenditures.

Before any practical measures regarding these basic issues are adopted, it is still difficult to draw a conclusion whether the USSR has entirely given up its hegemonist policies. [end Gao E's speech]

Commentary Discusses European Disarmament 'Cries'
HK0902113889 Beijing JIEFANGJUN BAO
in Chinese 29 Jan 89 p 4

["Weekly Commentary" by Dongfang Tie (2639 2455 6993): "Cries for Disarmament Are Reverberating Throughout Europe"]

[Text] "When Mount Copper collapses in the west, the bell in Luoyang in the east responds [major events affect each other]." Cries for disarmament are shaking Europe.

Following the Soviet announcement last December that it would unilaterally reduce its troops by 500,000, Poland, Hungary, and Czechoslovakia indicated that they would cut down national defense expenditures, and adopt new disarmament measures. On 23 January the GDR announced that it would unilaterally reduce its troops by 10,000 and cut back on its military spending by 10 percent. On 27 January Bulgaria and Czechoslovakia declared that they would reduce their troops by 10,000 and 12,000, respectively. Although the decisions on disarmament announced by these countries were

mainly made in light of their national conditions, we should assess their combined effect on all of Europe, rather than treat the repercussions in isolation.

The arms race following World War II started in Europe. The two major military blocs, NATO and the Warsaw Pact, have vigorously expanded their nuclear and conventional forces to vie with one another for military superiority. The road on which the enemies are bound to meet is getting narrower and narrower. The situation can be likened to two sheep running into each other while crossing a single-plank bridge with both refusing to make way for each other, as told in a fable. The two sides did not put forward a proposition to "equally cut back" their military forces so as to lower the level of military confrontation, until they were aware that both would drop into the river if they continued the confrontation. But it was necessary for one party to step back a pace first since they had been at loggerheads for a long time. Therefore, the Soviet unilateral partial disarmament came about. At the extended session of the Conference on Security and Cooperation in Europe recently held in Vienna, while the Soviet foreign minister announced that the Soviet Union would withdraw part of its troops together with their short-range nuclear weapons from East Europe, he called on NATO "to shift their eyes from their cannon sights." Gorbachev said in a interview with representatives of the "three-party committee," composed of senior figures in the West on 18 January, the Soviet "adequate defense" is a flexible idea, and its contents will vary with how the West acquits itself. On 25 January former Soviet chief of staff Akhromyev said NATO cannot stand by with folded arms when the Warsaw Pact is reducing its troops. All these remarks mean that NATO must do something in response to the Warsaw Pact's disarmament, giving the Warsaw Pact the right of way on the "single-plank bridge."

Whether the disarmament measures taken by the Soviet Union and other countries will produce intended results depends on if those measures "will leave the enemy no choice but to respond." First, the decisions made by the Soviet Union, Poland, Hungary, Czechoslovakia, and the GDR to whittle down their military spending will make it more difficult for the United States to ask the West European alliance to increase expenditures on national defense. The United States is responsible for 60 percent of NATO's total military expenditures. In recent years the United States has been obliged to cut its military expenditure so as to deal with its own financial problems, and the contradiction between its military strength and its strategic commitment is increasingly acute. Recently the Republican Party's think tank came up with a suggestion on national policy asking the Bush administration to press Western Europe for a greater commitment to NATO's defense. But since the five countries in the Warsaw Pact have decided to axe their military budgets, it is difficult for the Western countries to increase their military spending.

The most "difficult" problem for the two major military blocs to get agreement where disarmament is concerned

used to be the number of tanks and tactical planes. NATO said the Warsaw Pact has more tanks while the latter maintained the former enjoys superiority in tactical planes and made the reduction in tactical planes by NATO a prerequisite for a decrease in the number of tanks. But this time the Soviet Union unilaterally reduced its tanks by 10,000, about one third of the West-estimated total stationed in Europe. In addition it reduced its fighter planes by 800 and expressed its desire to enter into negotiations over a further decrease in tanks. This "embarrassed" NATO and forced it to soften its position on reducing planes.

Another move the Soviet Union made "to throw a brick to get a gem in return" was that it announced that it will withdraw part of its short-range nuclear weapons from East European countries, and will also withdraw, "subject to negotiations," its tactical and battlefield nuclear weapons. The Soviet Union's action has intensified the controversy in NATO, and will possibly disrupt the modernization of its nuclear weapons. Recently the GDR, which is located at the forward position between the two confronting military blocs, insisted that tactical nuclear weapons be placed on the disarmament agenda. This will put pressure on the FRG and other Western countries.

For a long time Soviet and U.S. troops stationed in Europe have had a lot to do with the strategic pattern in Europe. THE NEW YORK TIMES disclosed at the end of last year that the United States' ultimate aim is to "drive the great number of Soviet troops out of East Europe." Before long the Soviet Union expressed its desire to withdraw all its troops from the soils of other countries, and "hoped all foreign troops and military bases will have been withdrawn from other countries by the year 2000." But this will be conditional on "the attitude of NATO countries and development of the international situation." The implication is that U.S. troops should do likewise. The Soviet tactic of giving someone some of his own medicine serves as a new challenge to the United States.

At present NATO countries have felt the shock brought about by the Soviet Union and East European countries' disarmament programs. While NATO countries welcome the disarmament programs, they have doubts about them. Some strategists in Europe predicted long ago that, while NATO will mark its 40th anniversary this year, the organization will also undergo a fundamental change. As can be seen, an inevitable change will take place in both major military blocs.

United States & Canada

U.S. Paying Close Attention to Afghan Situation

'Roundup' Views Bush Policy

OW1002074289 Beijing XINHUA in English
0147 GMT 10 Feb 89

["Round-up: Bush Administration Reviews Afghan Policy," by Ma Shijun—XINHUA headline]

[Text] Washington, February 9 (XINHUA)—U.S. President George Bush has ordered a high-level review of the American policy toward Afghanistan as the Soviet

troops' withdrawal is nearing completion.

Reports quoting senior government officials said Bush will preside over a meeting of the National Security Council Friday to discuss policy options available to the United States when Moscow formally ends its nine-year military presence in Afghanistan on February 15.

State Department spokesman Charles Redman today declined to comment on "internal decisionmaking processes," saying only: "We're at the beginning of a new administration. It's perfectly normal that a lot of things are going to be looked at. Things are going to be looked at on their own merits in the light of changing circumstances in various parts of the world."

"It's in our interest to see a stable situation emerge in Afghanistan, to see the Afghans sort out their problems internally in a way that produces legitimate self-determination on the one hand and a stable government on the other," a senior administration official reportedly said.

The American policy toward Afghanistan over the last few years has focused almost solely on getting the Soviets out of Afghanistan, not on how to rebuild the country afterward.

Despite an assertion by President Bush earlier this month that the United States would play a "catalytic" role in bringing stability to Afghanistan, the United States has yet to develop a comprehensive strategy to deal with the post-Soviet era there, a senior White House official noted last week.

Informed sources said Washington has yet to make some fundamental decisions, including whether to continue supplying the resistance forces with military equipment after the Soviets leave and whether to convert some covert aid into humanitarian programs.

While the Bush administration has repeatedly claimed that it could not or should not try to influence Afghanistan's political future, Bush and his advisers were understood to discuss the extent to which the United States should use its influence in telling the guerrillas how to organize their own affairs and an interim government.

While heaving a sigh of relief that the Soviets are out of Afghanistan after all, Washington seems uncertain that there will be a politically stable and friendly government in that remote mountainous country.

"Even if the United States tried to shape events, its enormous investment in the rebel movement does not necessarily bring a money-back guarantee of loyalty or a promise that whatever government eventually takes control will be friendly," said a NEW YORK TIMES article Sunday.

Will Not 'Meddle'

HK1002112889 Beijing RENMIN RIBAO
in Chinese 10 Feb 89 p 6

[Dispatch by XINHUA correspondents Wu Jin (0702 2516) and Ma Shijun (7456 0013 7486): "The United States Pays Close Attention to the Development of the Afghan Situation"]

[Text] Washington, 8 Feb (XINHUA)—The United States has no doubt that the Soviet Union will pull out its troops from Afghanistan as scheduled. People are mostly commenting and guessing about whether the Soviet-backed Najibullah regime in Kabul can hold on, as well as how the Afghan political situation will develop.

The large-scale Soviet invasion of Afghanistan over 9 years ago has subjected Afghanistan to a colossal national calamity; the Soviet Union itself has not only suffered heavy casualties but also paid a heavy price for it both politically and morally.

In deciding to invade Afghanistan, the strategic intention of the Soviet leading group at that time was to go south to the Persian Gulf and then wait for an opportunity to control the entire Middle East region, thus threatening the "soft underbelly" of NATO's south wing. This "going-south strategy" immediately led to confrontational measures from the United States and its allies. The United States provided the Afghan resistance forces with a steady stream of arms and ammunition, with an estimated total value of \$2 billion. Thus, Afghanistan has become a "hot spot" of contention between the Soviet Union and the United States.

Having made a sober estimation of the situation at home and abroad, the new Soviet leaders have correspondingly readjusted their diplomatic and military strategies. Early last year the Soviet Union decided to pull out its troops from the Soviet Union. World opinion regarded this a wise act and gave it a proper assessment.

However, the withdrawal of Soviet troops cannot bring about an immediate end to the Afghan tragedy.

Early last year, when relevant parties held talks in Geneva, the U.S. side demanded that, after the Soviet troop withdrawal, both the Soviet Union and the United States should no longer supply military aid to the parties they supported. But the Soviet Union consistently rejected the proposal on the grounds of its "obligations" to the Kabul regime. Washington analysts conjecture that, after the Soviet troop withdrawal, the Kabul regime will probably be overthrown by force or will disintegrate from within in several weeks or several months. After being driven out of Kabul, it will probably retreat to the border regions in the north neighboring the Soviet Union and, with logistic support from the Soviet Union and the aid of the Soviet Air Force from Soviet territory, continuously put up a desperate struggle. Under these circumstances the United States will inevitably continue to

provide military aid to the resistance forces. Thus, the conflict between the Soviet Union and the Soviet-backed armed forces of Najibullah on the one side and the resistance forces and their U.S. supporters on the other will continue. This struggle between the Soviet Union and the United States cannot be regarded as ended.

Washington analysts also feel that, as far as the United States is concerned, another practical danger is that, given that the external aggression has not been eliminated, the Afghan resistance forces various factions, owing to differing political views, the contradictions among different religious factions, and certain external influences, cannot quickly form a broadly based and secure provisional coalition government and that, therefore, there will be a period of political chaos and perhaps even a civil war. This will not only make it impossible for several million refugees to return to their homeland and revive the economy at an early date but also give pro-Soviet forces an opportunity that can be exploited to their advantage.

The United States is now closely following the development of the Afghanistan situation. However, numerous indications show that Washington considers this beyond the reach of its power. Soon after taking office, President Bush said that, after the Soviet troop withdrawal, the United States will play a "catalytic" role for peace and stability in Afghanistan. But relevant responsible State Department officials could not specifically explain how the role will be played. The U.S. Government has repeatedly claimed that the United States has no intention of meddling in Afghan internal affairs and that it is for the Afghan people themselves to decide what kind of government they will choose. In a 5 February article, the NEW YORK TIMES wrote: "Even if the United States tries to control the situation there, it may not be able to get a faithful guarantee for its massive investments in the resistance forces or receive the commitment: No matter what government eventually has the situation under control, it will be friendly (to the United States)."

Tian Jiyun Speaks at Minnesota Teleconference
OW0902203689 Beijing XINHUA in English
1852 GMT 9 Feb 89

[Text] Beijing, February 9 (XINHUA)—China and the United States have their respective economic advantages and show a high level of complementarity [as received], as they can exchange many products and cooperate in many areas, Chinese Vice-Premier Tian Jiyun said here today.

The potential for furtherance of cooperation is great and shows broad prospects, Tian said.

Tian was making a speech at the Beijing-St. Paul teleconference on "Minnesota's future in Asia," at the invitation of Governor Perpich of Minnesota of the United States.

Tian said that since the establishment of Sino-U.S. diplomatic relations ten years ago, gratifying achievements have been scored in the bilateral economic and trade relations.

By the end of 1988, bilateral trade reached 10 billion U.S. dollars and more, as compared with less than 1 billion U.S. dollars in 1979, he said, adding, U.S. enterprises have invested in 630 projects in China with a commitment of 3.4 billion U.S. dollars.

However, the achievements are still far from reaching the level commensurate with the potential of both sides, he said.

He said, China will make efforts to adjust its export mix and improve their quality so as to meet the American market requirements.

Meanwhile, he said, China hopes that the United States will adopt an even more positive attitude and effective policy measures in terms of import quota, technology transfer and other areas to increase its import of Chinese goods and transfer of advanced technology to China.

He said that China's ten years of reform and opening have brought about great progress in all fields.

In 1988, China's import and export exceeded 100 billion U.S. dollars, an almost four-time increase over that of 1978, he said.

China welcomes foreign investment in energy, communication and other infra-structure and exclusively foreign-owned enterprises, the vice-premier said.

He said, "We warmly hope that American entrepreneurs will fully apply their talents to better Sino-U.S. economic relations and trade and technological cooperation and actively invest in China so as to push such cooperation and exchanges to a new high."

He also expressed the hope that the Minnesota World Trade Center will make new achievements in facilitating a better understanding of China by various American circles and in promoting a long-term and steady development of Sino-American friendship and economic cooperation and trade.

Soviet Union

IZVESTIYA Lands Coming Gorbachev Visit
OW0902131489 Beijing in Russian to the USSR
1900 GMT 8 Feb 89

[Text] Well-known IZVESTIYA observer Aleksandr Bovin has come out with an article in IZVESTIYA. The most important event of the current year, he wrote in his

article, both for the Soviet Union and for the world situation in general, will be the visit of Mikhail Gorbachev to Beijing and the complete normalization of Soviet-Chinese relations.

Bovin declared that despite differences in views of the two sides on some international issues, both sides will exert efforts for a gradual rapprochement of their positions with the aim of solving these outstanding questions.

Soviet Scientists Arrive for Cooperation Talks

OW0902143989 Beijing XINHUA in English
1312 GMT 9 Feb 89

[Text] Beijing, February 9 (XINHUA)—A 17-member Soviet scientific delegation headed by Professor Guriy Marchuk, president of the Soviet Academy of Sciences, arrived here this afternoon for talks with Chinese scientists on scientific and technological cooperation before the year 2000.

The first high-level delegation sent to China by the Soviet Academy of Sciences in three decades, the delegation includes O. M. Nefedov, vice-president, and seven other members of the Soviet Academy of Sciences, and directors of five major research institutes under the academy.

Marchuk, a noted mathematician and nuclear physicist and member of the Soviet Communist Party Central Committee, has served as minister of the state scientific commission and vice premier.

The meeting between leading scientists of the two countries will be a big event, Professor Marchuk told XINHUA at Beijing airport.

"In recent years we have established some contacts with our Chinese colleagues and have begun cooperation in some specific research areas. But now we are going to expand our cooperation substantially," he said.

A 13-member delegation of the Chinese Academy of Sciences (CAS) headed by its President and nuclear physicist Zhou Guangzhao will hold talks with the Soviet visitors on major areas of scientific cooperation up to the year 2000 and direct scientific and technological collaboration between institutes of the two academies.

Professor Hou Ziqiang, secretary general of the Chinese Academy of Sciences, and Oleg Troyanovsky, Soviet ambassador to China, met the Soviet delegation at the airport.

Joint Publication of Collected Works on Economy
OW0902124989 Beijing in Russian to the USSR
1900 GMT 8 Feb 89

[Text] In order to facilitate Sino-Soviet scientific cooperation and to exchange economic reform experiences, Shenhui Kexue Wenxian Publishing House released a

collection of articles on USSR economic reconstruction under the joint editorship of the Chinese Academy of Social Sciences and the USSR Academy of Sciences.

The collection, which includes an introduction by Academician Abalkin, member of the USSR Academy of Sciences and director of the Institute of Economics, has 15 articles contributed by the Soviet side which illuminate restructuring of the USSR economic system from various aspects.

The collection acquaints the Chinese readers, in particular scientists and economists, with various specific proposals made by Soviet scientific circles on restructuring the USSR economic system.

According to another report, a collection of articles on economic reforms in the PRC will soon be released. This collection has been jointly edited by the USSR Academy of Sciences and the Chinese Academy of Social Sciences. The introduction to the collection was written by Liu Guoguang, vice president of the Chinese Academy of Sciences.

Southeast Asia & Pacific

Report on Talks Between Qian, Thailand's Sitthi

HK1002085989 Beijing ZHONGGUO XINWEN
SHE in Chinese 0806 GMT 10 Feb 89

[Report: "Chinese and Thai Foreign Ministers Hold Long and Sincere Talks"—ZHONGGUO XINWEN SHE headline]

[Text] Beijing, 10 Feb (ZHONGGUO XINWEN SHE)—Today Chinese and Thai Foreign Ministers held a 3 and 1/2 hour sincere talk on settling the Cambodian issue politically.

Qian Qichen first briefed Sitthi on the talks between the Chinese and Soviet Foreign Ministers held not long ago in Beijing. After that he pointed out: Vietnam has announced that it will withdraw all its troops from Cambodia by the end of September this year. The international community has demanded that Vietnam keep its promise. The promise must be affirmed [ken ding 5146 1353] by an international agreement and placed under effective international supervision. With the true withdrawal of the Vietnamese troops from Cambodia, other foreign countries will gradually reduce, and even completely stop their military aid. This means that various sides must reduce, and finally stop their military aid to various Cambodian parties. This has been clearly stated in a statement on the Cambodian problem issued by the Chinese and Soviet Foreign Ministers.

Foreign Minister Sitthi maintained: The talks between the Chinese and Soviet Foreign Ministers have achieved a gratifying result, and international public opinions have responded to it favorably. Regarding the withdrawal of the Vietnamese troops, Sitthi stressed: The key

lies in strict and effective international supervision. In this connection, it is necessary to truly know the number of Vietnamese troops stationed in Cambodia. Vietnam must also make public the specific steps it will take in withdrawing its troops, so that examination and verification can be carried out.

Both the Chinese and Thai foreign ministers held unanimously: The settlement of the Cambodian issue has entered a crucial stage. It is very important for the relevant sides to have more consultations, and to maintain their contacts. Both China and Thailand support various activities carried out by Prince Sihanouk with an aim of realizing the coalition of the four Cambodian sides.

Qian Qichen also stressed: China supports the important role played by Thailand and other ASEAN countries in solving the Cambodian issue.

Qian Qichen Hosts Banquet for Thai Minister
OW0902161789 Beijing XINHUA in English
1531 GMT 9 Feb 89

[Text] Beijing, February 9 (XINHUA)—Thai foreign minister, Air Chief Marshal Sitthi Sawetsila, arrived here this afternoon to exchange views with his Chinese counterpart Qian Qichen on Kampuchea issue and Sino-Thai cooperation.

Qian gave a banquet in honor of Sitthi who is on his 15th visit to China this evening at the Diaoyutai guesthouse.

Speaking at the banquet, the Chinese foreign minister said China and Thailand both hope for a fair and reasonable solution to the Kampuchea issue at an early date.

Qian pointed out that the international situation tends to ease and new changes have taken place in the situation in Southeast Asia. There are frequent contacts and dialogues between relevant parties in search for an early solution to Kampuchea problem. The hot-spot issue of the region has entered a period of political solution.

China welcomes this positive development, Qian said, but there still exist many problems and difficulties in the course of progress.

Good relations and cooperation between China and Thailand would be an important factor to easing the situation in the region.

Sitthi stressed the role played by China, Thailand, the ASEAN countries and other friendly countries in solving the Kampuchea issue.

He said that for a fair and realistic political solution of the Kampuchea issue, national reconciliation under the leadership of Prince Norodom Sihanouk is also important apart from Vietnam's withdrawal of all its armed forces in Kampuchea.

Prince Sihanouk is the sole Kampuchean leader accepted by the Kampuchean people and international community, he said.

He said Thailand is devoting itself to helping pave the way to completely solve the Kampuchean issue as soon as possible.

The two foreign ministers expressed satisfaction with the development in Sino-Thai relations and cooperation.

Radio Report on Banquet
OW1002063889 Beijing Domestic Service in Mandarin
2230 GMT 9 Feb 89

[From the "News and Press Review" program]

[Text] Foreign Minister Qian Qichen hosted a dinner in honor of Thai Foreign Minister Sitthi Sawetsila on the evening of 9 February.

Qian Qichen said: The Chinese Government will abide strictly by the four principles governing the development of China's relations with members of the Association of Southeast Asian Nations, and will promote good-neighborly and friendly relations between China and Thailand to a new height.

Turning to the situation in Southeast Asia, he said: There are frequent contacts and dialogues between relevant parties in search of an early solution to the Cambodia issue. The regional hot spot now faces a crucial period in regard to a political solution. China welcomes this positive development, but also notes that there still exist many problems and difficulties in the course of progress. Under such circumstances, good relations and cooperation between China and Thailand will be an important factor in easing the situation in the region. China and Thailand share extensive identical views and have good cooperation in regard to the Cambodia issue. Both countries hope for a fair and reasonable political solution to the Cambodia issue at an early date. Foreign Minister Sitthi's current visit will provide a good opportunity for the two sides to have a comprehensive and in-depth exchange of views on the Cambodia issue. We are convinced that the visit will surely produce satisfactory results.

Foreign Minister Sitthi stressed the role played by China, Thailand, and ASEAN members, as well as other friendly nations, in search of a solution to the Cambodia issue. He reiterated that Thailand is exerting its utmost efforts to break through the barrier to a comprehensive solution to the Cambodia issue.

Sitthi arrived in Beijing on the afternoon of 9 February at the invitation of Qian Qichen. The two foreign ministers will exchange views on Cambodia and on the development of Sino-Thai relations.

Thai Paper Reports Comments

BK1002025389 Bangkok BANGKOK POST
in English 10 Feb 89 p 4

[By Banyat Thatsaniyawet in Beijing]

[Text] The Kampuchean peace process remains beset by considerable difficulties despite the current trend towards international rapprochement, Chinese Foreign Minister Qian Qichen said yesterday.

Mr Qian made the comment last night at a dinner held in honour of Foreign Minister Sitthi Sawetsila, who arrived yesterday afternoon.

Before leaving Bangkok, ACM [Air Chief Marshal] Sitthi said he was not confident the four Khmer factions would agree on a form of interim government at the second Jakarta informal meeting [JIM II].

The four factions have yet to iron out differences on internal aspects of the Kampuchean problem, especially where the resistance demands a provisional four-party government pending general elections, while the Vietnam-backed Phnom Penh regime insists on a national reconciliation council, ACM Sitthi said.

In his dinner address, Mr Qian said the current world situation is heading towards an easing of tensions. South-east Asia would soon see a crucial change, he said and all sides are now meeting each other in the search for a solution to the Kampuchean problem.

The Kampuchean conflict was now at a crucial stage, but despite the favourable progress that had been made, "considerable problems and difficulties" would emerge, he said, without elaborating.

Mr Qian said that under the circumstances, Sino-Thai cooperation was crucial in easing regional tension, and that the thinking of both countries on the Kampuchean solution remains the same.

He said both countries wish to see the problem resolved through a peaceful, political solution that is just and reasonable.

Mr Qian said he would exchange views "in great detail" with ACM Sitthi and was confident their talks would be successful.

ACM Sitthi hailed Beijing's efforts in the past 10 years and hoped continued cooperation would result in a resolution.

He said his visit to China was at a crucial time when the Kampuchean conflict was going to ease.

In securing a fair solution, he said, Vietnamese troops must be withdrawn and the national reconciliation movement under Prince Norodom Sihanouk should be given the most significance as he is the only Kampuchean accepted by the Kampuchean people and the world community.

The withdrawal and the leadership of Prince Sihanouk are two problems that contributed to each other and must be solved together, he said.

"This is not only for the security and stability of the region as a whole, but also for the interest of the Kampuchean people to avoid expected civil war," Sitthi said.

Thailand would try all means to pave the way for a speedy ending of the conflict.

In his comments in Bangkok, ACM Sitthi noted the recent Sino-Soviet talks did not produce an agreement on Kampuchean administration during the transitional period.

With China and ASEAN supporting the idea of a provisional quadripartite government, ACM Sitthi said he was not sure this difference would be worked out at JIM II, scheduled for February 19 - 21.

While in Beijing, ACM Sitthi will also meet Prime Minister Li Peng and Communist Party Secretary-General Zhao Ziyang.

China, he said, holds to the attitude that both the internal and external aspects of the Kampuchean problem must be solved simultaneously, and so does Thailand and ASEAN.

ACM Sitthi said he would report the results of his exchange of views on the Kampuchean issue with China to other ASEAN partners at JIM II, and that the results of his talks with China would benefit the forum.

"China's concern on this issue must also be carefully taken into account at JIM II," he added.

ACM Sitthi said he would inform Prince Sihanouk of Thailand's unwavering support for him when they meet in Beijing tomorrow.

"I will encourage Prince Sihanouk, telling him Thailand supports him forever," ACM Sitthi said.

Cambodian Resistance Leaders Finish Talks

Agree on Plan

OW0902150789 Tokyo KYODO in English 1445 GMT
9 Feb 89

[Text] Beijing, Feb. 9 KYODO—Leaders of the three resistance factions in Kampuchea closed their talks here Thursday with an agreement on a five-point program for a political solution to the 10-year old conflict with the Vietnam-backed government in Phnom Penh.

The peace plan, which was based on a proposal put forward last November by former resistance coalition leader Prince Norodom Sihanouk, calls for the setting up of a provisional national reconciliation government under Sihanouk to govern the country until free general elections are held.

It also calls for an international mechanism under U.N. auspices to supervise the withdrawal of Vietnamese forces and entails the provisioning of U.N. peacekeeping forces to follow after the pullout to protect against a new Vietnamese invasion and to prevent the Khmer Rouge faction reforming an independent military force.

The special meeting was held to finalize the stance to be taken by the three coalition parties of Democratic Kampuchea when they face off with the Heng Samrin government and its Vietnamese backers at the second round of the Jakarta informal meeting (JIM), to be held on February 19 in the Indonesia capital.

JIM will also be attended by Laos and members of the Association of Southeast Asian Nations (ASEAN).

Under the peace plan to be submitted at JIM, each faction, including the Phnom Penh government, would be required to reduce their military forces to beneath a ceiling of 10,000 soldiers within two months of the troop withdrawal.

The separate armies would be joined together under Sihanouk's command to form a provisional national army.

The plan also calls for a completion of the Vietnamese withdrawal within two months of the ceasefire date and proposes that interfaction hostilities cease both during and after the withdrawal.

Foreign aid to the respective factions would be phased out during the withdrawal period under the peace plan. After all Vietnamese troops leave the country, faction-designated aid would be required to be completely cut.

The Beijing talks took place between Khieu Samphan, acting head of the Khmer Rouge, Prince Norodom Ranarith, Sihanouk's son, and Son Soubert, son of Son Sann, leader of the Khmer People's National Liberation Front.

Meanwhile, Thai Foreign Minister Sitthi Sawetsila arrived in Beijing for consultations with his Chinese counterpart Qian Qichen on the Kampuchean problem. Sitthi will meet on Saturday with Sihanouk, who is in Beijing.

XINHUA Report

OW0902190689 Beijing XINHUA in English
1833 GMT 9 Feb 89

[Text] Beijing, February 9 (XINHUA)—The national resistance forces of Kampuchea held their special meeting in Beijing today.

Samdech Norodom Sihanouk presided over the meeting.

Attending the meeting were a delegation of the Democratic Kampuchea and National Army of Democratic Kampuchea led by Khieu Samphan, a delegation of the National United Front for an Independent, Neutral, Peaceful and Cooperative Kampuchea and Sihanoukian National Army led by Prince Norodom Ranarith, and a delegation of the Khmer People's National Liberation Front and its army led by Son Soubert.

After the conclusion of the meeting, Khieu Samphan, Norodom Ranarith and Son Soubert gave a press conference this afternoon, introducing a document entitled "Modalities for the Implementation of the 5-Point Peace Plan of H.R.H. Samdech Norodom Sihanouk".

Signed by Norodom Ranarith, Khieu Samphan and Son Soubert, the document has been approved by Samdech Norodom Sihanouk.

The document calls for the total withdrawal of the Vietnamese forces from Kampuchea within a definite time-table for a period of two months starting from the date of the ceasefire and under effective international control to be carried out by an international control mechanism of the United Nations (ICM-UN). It proposes a cease-fire among the parties to the conflict during and after the withdrawal of the Vietnamese forces from Kampuchea, and the phased reduction of military aids to the four Kampuchean forces. The document says those aids should be "terminated the day the Vietnamese forces have completely left the Kampuchean territory."

The document calls for the formation of a provisional quadripartite government of Kampuchea under the leadership of Samdech Norodom Sihanouk and the dismantling of the "People's Republic of Kampuchea" and the state of Democratic Kampuchea and their political and administrative apparatuses from the top to the bottom. That provisional quadripartite government, it continues, will have the task to organize free elections under the supervision of the ICM-UN.

The document proposes that the provisional quadripartite army will be formed by the armed forces of the four Kampuchean parties with an equal strength of 10,000 men from each party.

The provisional quadripartite army will have a "joint quadripartite general staff" with Samdech Norodom Sihanouk as the "supreme commander of that provisional quadripartite army".

The document says that the elections of a constituent assembly will be organized in accordance with democratic rules, under the control of the ICM-UN.

The document calls for the presence of an international peace-keeping force of the United Nations (IPKF-UN) in Kampuchea after the withdrawal of the Vietnamese forces. The IPKF-UN, it says, will have the task to verify that the Democratic Kampuchea party (Khmer Rouge) will not monopolize power for itself, to verify that Vietnam will not commit again acts of aggression and interference against Kampuchea and that it scrupulously respects the independence, territorial integrity, neutrality and non-alignment of Kampuchea, and to prevent a civil war in Kampuchea.

In reply to questions at the press conference, Khieu Samphan stressed the necessity of an ICM-UN.

He said that Kampuchean people need national reconciliation, which could be achieved only through the formation of a provisional quadripartite government. The provisional quadripartite government should be led by Samdech Norodom Sihanouk who alone could mobilize all Kampucheans, he noted.

He expressed welcome to all efforts for a political settlement of the Kampuchean issue.

Ranarith reaffirmed that his father Norodom Sihanouk would not attend the Jakarta meeting. "We want a real and just peace for the Kampuchean people," he said.

Sihanouk Declares Pol Pot Will Not Return
HK1002074789 Hong Kong AFP in English 0703 GMT
10 Feb 89

[By Pierre-Antoine Donnet]

[Excerpts] Beijing, Feb 10 (AFP)—Khmer Rouge leader Pol Pot, blamed for the deaths of hundreds of thousands of people while in power, will never again be a member of a Cambodian government, key resistance leader Prince Norodom Sihanouk pledged here Friday.

"I solemnly declare that a return to power by Pol Pot will always be out of the question," the former Cambodian monarch said in a brief letter received by AGENCE FRANCE-PRESSE. [passage omitted]

At a press conference here Thursday, Khieu Samphan, the Khmer Rouge representative to Thursday's talks, did not exclude the possibility of Pol Pot's participation in an eventual Cambodian coalition government.

Asked about a possible role for Pol Pot or other Khmer Rouge leaders after a Vietnamese withdrawal, Mr. Khieu Samphan avoided responding directly, saying: "Vietnam is the aggressor and has no right to impose such conditions."

Observers said the clarification from Prince Sihanouk was aimed at easing fears that the removal of Vietnamese troops from Cambodia could pave the way for a return to power by the Khmer Rouge which, with an estimated 35,000 men, is by far the strongest military force of the three resistance factions.

Vietnam toppled the Khmer Rouge in January 1979 after a December 1978 invasion and has maintained troops in Cambodia ever since to prop up a client government. [passage omitted]

The Phnom Penh government's Prime Minister Hun Sen and Vietnam have categorically rejected the participation in an eventual coalition government of any of the former Khmer Rouge leaders.

"I continue to condemn the Khmer Rouge of Pol Pot, guilty of the numerous crimes inflicted on my people," Prince Sihanouk said in his letter.

"But I have always said and must repeat that rejecting the Khmer Rouge army, making them bandits outside the law, would impede the reconstruction of Cambodia after its liberation," he added.

Noting that even the Vietnamese Army had been unable to liquidate the Khmer Rouge since 1979, Prince Sihanouk said: "The most elementary reasoning compels us to integrate them in a quadripartite army to be strictly monitored (by an international control mechanism)".

Near East & South Asia

Pakistan Envoy Interviewed on Bhutto Visit

Says Visit 'Very Special'
OW1002090389 Beijing XINHUA in English
0822 GMT 10 Feb 89

[Text] Beijing, February 10 (XINHUA)—Pakistani Prime Minister M.B. Bhutto's visit to China is aimed at establishing a personal friendship and close working relations with the Chinese leaders, said Pakistani ambassador to China M.A. Zaki here today.

He noted that the visit, which will begin tomorrow afternoon, is to ensure that the mutually beneficial relationship between Pakistan and China is transmitted to succeeding generations as a valued heritage. "Sino-Pakistan friendship is vital for peace and security in the region," the ambassador said.

It is learned that during her three-day visit, Bhutto is scheduled to meet Chinese leaders including Deng Xiaoping, Zhao Ziyang and Li Peng.

In an exclusive interview with XINHUA, Zaki described the visit as having "very special significance."

"The prime minister in her very first press conference had expressed the determination of her government to strengthen and further consolidate the time-tested friendship between Pakistan and China," the ambassador said.

He noted that China will be the first foreign country Bhutto ever visits officially since she took office as Pakistani prime minister in December, 1988.

This indicates that friendship with China, growing in scope and dimension, continues to remain one of the cardinal principles and main pillars of the foreign policy of the new democratic Government of Pakistan, Zaki said.

Recalling the diplomatic relations established nearly 40 years ago, he said the two countries have developed profound multi-dimensional friendly relations of cooperation on the basis of the five principles of peaceful co-existence.

"The relations have been regarded as a model of friendship between two states with different social systems," Zaki explained.

In the political field, he continued, the two countries share a broad identity of views on major international issues and have cooperated very closely in maintaining and strengthening regional and international peace and stability.

He said that both Pakistan and China have been opposed to foreign military intervention in Afghanistan and Kampuchea, and they also share identical and similar views on the question of apartheid, independence of Namibia and Palestine, restoration of peace in the Middle East and in the Gulf region as well as establishment of a new international economic order.

The regular and frequent exchanges between the armed forces of the two countries are purely of a defensive nature and not directed against any third country, Zaki said, adding that the full support China lends to Pakistan's efforts for safeguarding its independence and territorial integrity has greatly impressed the Pakistani people.

Zaki said bilateral trade was growing steadily and reached about 360 million U.S. dollars in 1987 as against 238 million U.S. dollars in 1986.

Noting that the trade volume is likely to be lower in 1988, he disclosed the commerce minister of Pakistan is expected to visit China in the near future for detailed discussions with the Chinese side in order to "rectify the situation."

He also pointed out that the two countries have completed several two-year programs for exchanges in the field of art, education, sports, media, religion and youth affairs and there have been regular exchanges of cultural troupes.

Radio Interview

BK1002060489 Beijing in Urdu to India and Pakistan 1600 GMT 9 Feb 89

[Interview with Pakistani Ambassador to PRC Akram Zaki by unidentified Beijing radio Urdu correspondent prior to the visit of Pakistani Prime Minister Benazir Bhutto; date and place not given—recorded]

[Text] [Correspondent] Mr Ambassador, Pakistani Prime Minister Ms Benazir Bhutto is due to make an official visit at the invitation of the government of the People's Republic of China. Would you like to answer some questions in this regard?

[Zaki] It is an occasion of great pleasure for me to know that you are taking so much interest in the upcoming visit of Pakistani Premier Ms Benazir Bhutto, and I will gladly answer your questions.

[Correspondent] Ms Benazir Bhutto is paying an official visit within a short time after assuming the office of Pakistani prime minister. What is the significance of this?

[Zaki] You already know that China is Pakistan's best friend and the two countries have long-standing and very close ties. At the news conference our Prime Minister Ms Benazir Bhutto held immediately after assuming her new position she said that she would make a trip to China before going anywhere else because China is our very close friend. She also said that her late father had played an important role in developing relations with the PRC. Therefore, she is paying a visit to China to promote that policy.

[Correspondent] What is the significance of Prime Minister Benazir Bhutto's coming visit in further developing friendship and cooperation ties between China and Pakistan?

[Zaki] As you know, bilateral relations between China and Pakistan have been established in almost all fields. But it has been a tradition between our two countries that our heads of state and government maintain personal relations and contacts. And, when the government changes in one country, then it is considered necessary for the leaders of that country to pay a visit to the other country and establish personal contacts so as to further stabilize and promote the existing friendship. Ms Benazir Bhutto is a well-known personality in the PRC. She has visited China before. But the trip she is going to make after becoming prime minister assumes a special importance. She has announced that strengthening and consolidating the Pakistan-PRC friendship, which, as you know, enjoys the support of the entire population, is very necessary for

peace and security in our region. China and Pakistan hold identical views on various regional issues. Their stand on Afghanistan and Cambodia is that foreign troops should leave and the people there should have the right to establish a government of their choice so that peace prevails in their countries and people of the region as well as of Pakistan implement their developmental programs according to their resources. So, in this context, the goodwill visit to China being undertaken by the prime minister is a first and important step to further consolidate the Pakistan-PRC friendship.

[Correspondent] What role will Prime Minister Benazir Bhutto's government play in regional politics?

[Zaki] Immediately after assuming office Ms Benazir Bhutto announced that Pakistan's elected government wants good, friendly relations with all countries. If the Afghanistan issue is resolved in accordance with the Geneva Accords, Soviet forces are withdrawn by 15

February as has been agreed, and a government enjoying the complete support of the people is formed there, then Pakistan-Soviet relations can also improve considerably. Similarly, she has also expressed her desire to improve relations with other neighbors, including India. And during the SAARC summit—she is now the chairperson or chief of the organization—she also made efforts to promote bilateral ties with all SAARC countries. She also had meetings with the Indian prime minister which resulted in some agreements and raised hopes for improved relations between the two countries. But she made it clear that we want good relations with all countries on the basis of equality. Ms Bhutto's statements and the attitude of her government so far indicate that Pakistan would like to see peace and tranquillity in the region and to foster an atmosphere of cordiality and friendship.

[Correspondent] Thank you very much.

Paper Reports Li Peng's Spring Festival Address
HK1002095489 Beijing RENMIN RIBAO in Chinese
7 Feb 89 p 1

[Report by Yuan Jianda (5913 1696 6671) and Wang Jin (3769 6210): "CPC Central Committee and State Council Hold Spring Festival Gathering"]

[Text] "Happy New Year!" "Happy New Year!" New Year's greetings imbued the banquet hall on the second floor of the Great Hall of the People with a joyful atmosphere on the morning of the first day of the 1989 Chinese Lunar New Year. Personages from all walks of life gathered in the hall to attend the Spring Festival gathering organized jointly by the CPC Central Committee and the State Council, and they exchanged New Year's greetings when they met. Li Peng, member of the Standing Committee of the Political Bureau of the CPC Central Committee and premier of the State Council, delivered an important speech during the gathering. He said that China would strive this year to make substantial progress in curbing price rises, in removing the anomaly of unfair social distribution, in combating corruption, and in dealing with all other issues that the broad masses and cadres are concerned about.

The Spring Festival gathering was presided over by Wan Li, chairman of the NPC Standing Committee. Present at the gathering were more than 4,000 people, including party and state leaders, responsible persons of the central party, government, Army, and mass organizations, responsible persons of various democratic parties, patriotic personages without party affiliation, representatives of minority nationalities, foreign experts who are helping China in its socialist construction, and representatives of all circles in the capital.

On behalf of the CPC Central Committee and the State Council, Li Peng, in a dark blue Zhongshan tunic and radiant with smiles, first extended New Year's greetings to the people of all nationalities throughout the country, to all the commanders and fighters of the PLA, to compatriots in Taiwan, Hong Kong, and Macao, to Overseas Chinese, and to foreign friends helping China in its modernization program. He then gave a comprehensive exposition of the current domestic situation that everybody has concern for. While speaking highly of all the achievements made since the 3d Plenary Session of the 13th CPC Central Committee, he confessed freely all the difficulties and problems as objective realities.

Li Peng's speech was interrupted several times by applause. When he made the remark promising that "every effort will be made to increase investment in agriculture and education" this year, the audience endorsed the decision with more applause. When he noted that "great efforts will be made to strengthen party building, to step up the development of the legal system, to ensure honest and clean government, to cautiously carry out the reform of the political structure, to take strong action against all kinds of

offenders involved in economic malpractices and criminal cases, and to safeguard social security," still warmer applause reverberated through the hall.

Li Peng emphasized: This year we shall handle properly the relations between stability, reform, and development. We must act in light of the actual circumstances, promote what is beneficial and abolish what is harmful, and carry out reform properly and seek economic development while maintaining stability. Li Peng called on the whole party and people throughout the country to make great concerted efforts to greet the grand 40th anniversary of the founding of the PRC with outstanding contributions to the reform, the opening up process, and the operation to improve the economic environment and to rectify the economic order.

After Li Peng's speech, tea was served and a theatrical performance was presented.

Present at the Spring Festival gathering were the following leading comrades: Li Xiannian, Hu Qili, Yao Yilin, Tian Jiyun, Li Tieying, Li Ximing, Wu Xueqian, Song Ping, Qin Jiwei, Ding Guangen, Song Renqiong, Rui Xingwen, Yan Mingfu, Wen Jiabao, Wang Ping, Wu Xiuquan, Li Desheng, Yang Dezhi, Xiao Ke, Yu Qiuli, Chen Xilian, Hu Qiaomu, Duan Junyi, Geng Biao, Ji Pengfei, Huang Zhen, Kang Shien, Peng Chong, Ngapoi Ngawang Jigme, Seypidin Aze, Yan Jici, Rong Yiren, Ye Fei, Liao Han-sheng, Chen Muhua, Fei Xiaotong, Lei Jieqiong, Wang Hanbin, Wang Bingqian, Song Jian, Wang Fang, Zou Jiahua, Li Guixian, Chen Xitong, Chen Junsheng, Ren Jianxin, Wang Renzhong, Fang Yi, Gu Mu, Yang Jingren, Kang Keqing, Zhou Peiyuan, Wang Guangying, Zhao Puchu, Ma Wenrui, Qian Xuesen, Qian Weichang, Sun Xiaocun, Cheng Siyuan, Qian Zhengying, Ismail Amat, Hong Xuezhi, and Liu Huaqing.

'Text' of Address

HK1002070589 Beijing RENMIN RIBAO in Chinese
7 Feb 89 p 1

["Text of Li Peng's Address at the Beijing Festival Meeting"]

[Text] On 6 February 1989, Li Peng delivered a speech at the group meeting for exchanging Spring Festival greetings held by the CPC Central Committee and the State Council. The text of the speech is as follows:

Comrades, friends:

The Spring Festival is a traditional festive occasion among our Chinese people. On this festive occasion, allow me to wish everyone present here a happy New Year once more on behalf of the CPC Central Committee and the State Council. I also would like to extend season's greetings to our people in all walks of life; all the

PLA commanders and soldiers; Taiwan compatriots, Hong Kong and Macao compatriots, and Overseas Chinese; and foreign friends who render assistance to China's modernization.

Today, we are gathering here to celebrate the Spring Festival with jubilation and to bid farewell to the past year while welcoming the advent of the new one. Everyone is very concerned about the situation in our country. At present, on the whole, our national economy is still forging ahead, and our political situation is stable. The policy of improving the economic environment, rectifying the economic order, and deepening reform in an all-around way adopted by the 3d Plenary Session of the 13th CPC Central Committee is correct. A number of measures adopted by the CPC Central Committee and the State Council have begun to yield positive results after our work in the past few months. The magnitude of price hikes has slowed gradually; market supply is back to normal; the scale of capital construction has been brought under control; the phenomenon of party and government organizations engaging in business activities in violation of the regulations has been basically checked; and party construction and the ideological-political work have been strengthened to some extent.

By saying so, we do not mean that we can afford to overlook the problems and difficulties existing in our actual life at all. On the contrary, we must pay close attention to such problems and difficulties, although they are something appearing in the course of our advance and development, and must seek effective solutions for them. We should be aware that the occurrence of some problems and difficulties was caused by some shortcomings and errors in our work guidance. So we must seriously sum up experience, overcome the shortcomings, and strive to do a better job in all fields in the new year. At the same time, we should also be aware that because of the complicated contradictions in economic and social development, it will be rather difficult to solve the existing problems, and this will take time. It is hoped that everyone will understand this point.

When we solve such problems as the overheated economy and inflation, our purpose is to ensure that the general policy of reform and opening up and our construction for the four modernizations will be carried on healthily and more smoothly. Reform and opening up are in keeping with the progressive trend in history, and have brought new vigor to our socialist system and actual benefit to our people. So the general orientation of reform and opening up will not change. The Chinese people will firmly carry on these great reforms!

In the new year, we must adhere to the policy of "handling things simultaneously in the two fields" as emphasized repeatedly by the central leadership. That is, while concentrating on promoting economic construction, reform, and opening up, we will also advance effectively our work in the political and ideological field.

In the economic field, our readjustments and rectifications have just begun, and a great deal of work has yet to be done. We must firmly further the work of reducing the excessively swollen scale of investment in fixed assets, and strictly control the consumption demand which has grown too rapidly. At the same time, we will rationally adjust the economic structure according to the correct industrial policy. In order to ensure the successful readjustments, we must maintain a tight financial and monetary policy without vacillation. We should also increase investment in agriculture and education, and give great support to the key construction projects in the energy, transport, and major raw material industries. We shall continue to pursue the coastal development strategy. In the course of readjustment and rectification, we shall actively explore new means and methods of conducting overall management and control over the national economy. In the political and ideological field, we shall make great efforts to strengthen party construction, to perfect the legal system, and to maintain government incorruptibility. We shall also prudently advance the political reforms, and severely punish various economic and criminal offenders so as to maintain law and order in society.

Through our efforts in the new year, we shall make solid progress in controlling the degree of price rise, mitigating the social contradictions caused by unfairness in the distribution of social wealth, and eliminating the corrupt phenomena, which are all problems that the masses and cadres are generally concerned over. We shall properly integrate the three things, namely, stability, reform, and development. We shall properly adapt our measures and policies to the changing situation, give play to our advantages, overcome the disadvantages, and advance reform and seek economic development on the basis of maintaining stability.

We have full confidence in fulfilling this year's tasks in our work. Our confidence has good grounds. As a leading collective, the party central committee and the State Council are united and powerful. We have confidence in joining hands with the people of all nationalities throughout the country in advancing our work in all fields in our modernization construction. More importantly, we enjoy the support of the people. Our people have undergone the tests of reform and opening up in the past 10 years. They have more clearly understood the situation, have understood the complexity of reform and construction, and have become more conscious in rallying around the party and the government and trying by every possible means to join forces with us in overcoming the difficulties. Construction and reform in the past 10 years laid a good material foundation for us, and the international environment which is relaxing is favorable to us and gives us more leeway for overcoming the difficulties.

I must make use of today's opportunity to express gratitude to the people for their support in the past year for the work of the party central leadership and the State

Council in various fields. To fulfill this year's arduous tasks, we more ardently need continuous support from workers, peasants, intellectuals, and all laborers throughout the country. This is the most important guarantee for the successes in our work. We believe that in the course of implementing the measures for economic readjustments and reforms, CPC members in all government departments at various levels, as well as all state functionaries, will be more conscious in safeguarding the authoritative prestige of the central authorities and the State Council and in observing all rules and regulations and obeying all orders, thus making the partial and immediate interests subordinate to the overall and long-term interests. This is of special significance for fulfilling this year's tasks in various fields and improving the overall situation in our country.

In the new year, we will further improve the multiparty cooperation system under the leadership of the Communist Party and the political consultation system. All democratic parties and patriots in various circles are faithful friends of our party, and they have always stood together through thick and thin with our party and the people. We sincerely welcome more proposals put forward by them and more comments made by them on the work of the party and the government. We hope that they will increase their political participation and discussion and play a bigger role in democratic supervision. Let us all jointly shoulder the responsibilities for the great cause of realizing the four modernizations and regenerating China.

When celebrating the Spring Festival with jubilation, we miss our Taiwan compatriots on the other side of the Taiwan Strait all the more. We shall continue to promote the process of peaceful reunification of the motherland in accordance with the concept of "one country, two systems." It is our hope that all the compatriots on both sides of the strait will work in full cooperation and with unity of purpose to make contributions to this end. We also hope that the Taiwan authorities will observe and appreciate the public feelings, conform to the historical trend of the times, and do some things to help accomplish the great undertaking of the motherland's reunification at an early date.

We will continue to strengthen and promote friendly relations and expand economic ties, trade, and scientific and technological contacts with every country in the world on the basis of the five principles for peaceful coexistence. The Chinese people are willing to make joint efforts with the people of other countries to promote the establishment of a new international political and economic order.

Comrades, Friends! This year happens to be the 40th founding anniversary of the PRC. The whole party and all the people in our country must work hard with one heart and one mind to make progress and to strive for outstanding successes in reform, opening up, and economic readjustments and rectifications so as to welcome the advent of the grand festive occasion!

I wish you all happy new year and good health!

Zhao Discusses Party-Building With Study Class
HK1002035339 Beijing RENMIN RIBAO
in Chinese 3 Feb 89 p 4

[Report by XINHUA reporter Sun Benyao (1327 2609 1031) and RENMIN RIBAO reporter Yin Pinduan (1438 0756 4551): "A Central Study Class on Party-Building Discusses Current Ideological and Theoretical Task of the Party"]

[Text] Beijing, 2 Feb—A central study class on the building of the party, which ended today, stressed in the discussion: In the initial stage of socialism, efforts must be made to turn the party into a powerful core which leads the people to build socialism with Chinese characteristics. At present, we should use the theories and basic line defined and expounded by the 13th CPC National Congress to unify the thinking of the entire party, to inspire our vigor, and to boost our confidence. We should persist in administering the party strictly to ensure smooth progress in improving the economic environment, rectifying the economic order, and deepening the reform in an all-around way.

The study class on the building of the party run by the CPC Central Committee began in the Central Party School on 4 January. During the discussion period, Zhao Ziyang, General Secretary of the CPC Central Committee, talked with some comrades about the building of the party. Qiao Shi, member of the Political Bureau of the CPC Central Committee, and head of a central working group responsible for the building of the party, spoke at a discussion of the study class, and also at the closing session held today. Song Ping, member of the Political Bureau of the CPC Central Committee, and Director of the Central Organization Department was present at the discussions on several occasions.

Led by the party guidance on party-building adopted by the party Central Committee since the 3d Plenary Session of the 11th CPC Central Committee, and the principle of administering the party strictly, the study class conscientiously discussed some major problems arising currently in the building of the party with emphasis on strengthening and improving the party leadership during the period of great historical changes, and giving play to our political strong points, and ensuring that the party would be able to shoulder the historical task of leading the people to build socialism with Chinese characteristics. All activities organized by the study class persisted in the principle of integrating theories with practice. All participants aired their views freely, and learned from each other by exchanging views. Through discussions, people at the higher and lower levels forged broader links, exchanged views, and derived great benefits from these discussions.

The study class analyzed the current situation of the party with an open-minded and dynamic view, and drew the following conclusion: Reforms over the past 10 years have proved that the party line is correct, and that the majority of party members are working hard for the people. The party organizations are full of vigor and vitality as a whole, and able to lead socialist modernization. This intrinsic quality and the main aspect of our work should be fully affirmed. In the meantime, we should also realize that certain corrupted phenomena and laxness have indeed existed in the party. Some cases are comparatively serious, and merit our close attention. We should persist in administering the party strictly, and minimize those negative phenomena. When making an appraisal of the state of affairs of the party, it is both erroneous and harmful to completely discredit the party, or to treat lightly problems arising inside our party which should be urgently solved.

While analyzing the current situation involving the ideological and theoretical building of the party, the study class maintained that at present, what is most important for us to do is that we should use the theories and line of building socialism with Chinese characteristics to arm the whole party, to clarify some confused ideas, to boost our enthusiasm, and to increase the rallying power of the party. Theoretical study for the ideological and theoretical development of the party, and party-building should constantly keep abreast of the new situation. Efforts must be made to analyze the new situation, and to answer new questions.

The study class also discussed the problem of strengthening and improving the party leadership under the condition of separating the party from government. All participants unanimously maintained: The separation between the party and government only applies to a specific working system. It does not mean that the status of the party as a ruling party and its political leadership should be changed.

Comrades participating in the study class also went further into and studied issues such as implementing the principle of administering the party strictly, strengthening leading bodies at all levels, the administering of the party by the party, maintaining the honest work style of the party, and so on.

A total of 30 persons attended the study class. They mainly included leading comrades of the party committees from various provinces, autonomous regions and municipalities directly under the central government, two veteran comrades, four leading comrades from the relevant central departments, five city and prefectural party secretaries, and two comrades who are responsible for the work on theoretical building of the party.

Song Ping, member of the Political Bureau of the CPC Central Committee, and director of the Central Organization Department, also spoke at today's discussion.

Paper Views Zhao Ziyang's Shenzhen Visit
HK1002054389 Hong Kong SOUTH CHINA
MORNING POST in English 10 Feb 89 p 8

[By Daniel Kwan and David Chen: "Shenzhen Comes Under Scrutiny"]

[Text] The general secretary of the Chinese Communist Party, Mr Zhao Ziyang, has made a second trip to Guangdong within two weeks to assess the achievements of the Shenzhen Special Economic Zone.

The three-day visit to the special economic zone before the Lunar New Year holiday last weekend came barely three months after a visit in November.

The frequent visits to the south by the party chief have raised speculation over the future direction and pace of the country's economic reforms. Mr Zhao is a strong proponent for a faster pace of reform.

Mr Zhao's visits appear to renew emphasis on the reformist line, according to observers. They noted that senior leader Deng Xiaoping is in Shanghai, the conservative economist Chen Yun has been to Hangzhou and Yangzhou, and President Yang Shangkun is in Nanjing. He will join Mr Deng in Shanghai later.

They also noted that Vice-President Wang Zhen and the former chairman of the National People's Congress, Mr Peng Zhen, had visited the neighbouring Zhuhai Special Economic Zone, while Prime Minister Li Peng and Senior Vice-Premier Yao Yilin were firmly established in Beijing.

The spotlight is on the country's economy; Mr Zhao's call on Jiangmen and Kaiping, southwest of Guangzhou, just before the Lunar New Year was to give encouragement to the Overseas Chinese for their economic contributions to the country.

The trips to the special economic zones by the senior leaders were to provide a much needed morale boost to the regions, which have come under attack lately for being too extravagant in their planning and spending.

And Mr Li made a visit to farms on Beijing's outskirts, driving home the message that agriculture should take top priority in the nation's production.

During his three-day stay in Shenzhen, Mr Zhao stressed that economic reforms in the coastal regions should continue but on the condition that they should not affect the development in inland provinces.

Shenzhen, he said, must have a prosperous economy and a good political environment to demonstrate to other parts of the country the superiority of socialism.

He also linked Shenzhen with the nine-year-old economic reform of the country and said the Shenzhen experiment had proven that China's open policy was correct.

Mr Zhao's latest visit comes at a time when there has been speculation that the special economic zone is losing momentum.

The central authorities have withdrawn certain privileges enjoyed by the zone in the past few years. It was announced last month that the zone would have to turn over 20 percent of the foreign exchange it earned from trading to the central government.

The zone is expected to lose between U.S.\$50 million (HK\$390 million) to U.S.\$70 million (HK\$546 million) a year under the new policy.

Article on Need for Better Party Discipline
OW0902144689 Beijing DANG JIAN in Chinese
No 12, 5 Dec 88 p 7

[Article by Cheng Guifang (4453 2710 5364): "To Improve the Economic Environment and Rectify the Economic Order, It Is Imperative To Enforce Discipline Strictly"]

[Text] At the 3d Plenary Session of the 11th CPC Central Committee, it was noted that to guarantee the accomplishment of the task of improving the economic environment and rectifying the economic order and deepening the reforms, it is necessary to particularly emphasize party discipline, and that local interests must be subordinated to the overall interests.

Discipline is the guarantee for the implementation of party lines. Good discipline has been a fine tradition and a political advantage of our party. During the revolutionary war years when various revolutionary bases were carved up, the reason that the party could maintain unified leadership and gave unified guidance was discipline. During the period when the national economy was recovering and during the difficult 3-year period, it was because the party organizations at various levels self-consciously and strictly observed discipline that the party could unite people under its leadership and bring them to work together with one heart and one mind. It was also the guarantee of discipline that enabled our party to quickly end the 10 years of turmoil and devote itself to the building of socialist modernization. Today, it is even more significant for the party Central Committee to present to the whole party the issue of strictly enforcing party discipline as something critical to the overall reform.

The 3d Plenary Session of the 11th CPC Central Committee ushered in a new period in the history of the party's development. Over the past decade, our reforms and open policy have achieved success which attracts worldwide attention and have brought profound changes in the outlook of our country. In our current efforts to

comprehensively deepen the reforms, we are faced with both favorable conditions and numerous difficulties and problems. Most outstanding is the inflation problem in our economic life, which has caused spiraling price hikes and economic disorder. To ensure that reforms and construction proceed smoothly, the whole party must unite together in thinking as well as in action to solve these problems conscientiously. And the key to achieving party unity in thinking and action is discipline. Comrade Deng Xiaoping once pointed out: "Without discipline, a group cannot work with one heart and one mind."

Discipline is a code of conduct which gives the party a binding power over party organizations and party members at all levels. The reason for stressing discipline now is that the established standards of conduct are being pounded and challenged by irregularities in many fields. Some party organizations and members, with little regard for discipline, simply do things their own way or adopt a pragmatic attitude, carrying out orders when the orders are in their interests and "making adaptations" when they are not. As a result, discipline loses its binding power and becomes empty talk. For example, despite the party Central Committee's call every year that "the scale of capital construction be curtailed," buildings and houses keep springing up all over the country. Despite the party Central Committee's requirement of "strictly controlling car imports," the number of imported sedans is increasing and so are their prices. The party Central Committee has explicitly written regulations that "party and state organs are strictly prohibited from engaging in commercial activities and running enterprises," still the number of "official-run" companies has been going up, not down. Indeed, there are many reasons for the undaunted growth of this unhealthy trend, but the one important factor that can be held accountable for this is that some leading organs and cadres think only about the interests of their own department or locality instead of the overall interests of the state.

"Problems should be solved by the authority," said Engels more than 100 years ago. To cope with the problem of indifference to discipline, it is necessary to rely on not only education but also discipline and the authority enforcing laws and regulations. The prerequisite for authority is subordination. Without subordination, it is meaningless to talk about discipline. Therefore, the party constitution explicitly stipulates that all party organizations must observe this discipline: The individual is subordinate to the organization, the minority is subordinate to the majority, the lower level is subordinate to the higher level, and the whole party is subordinate to the Central Committee. Of the four subordinations, the most important is that the whole party is subordinate to the Central Committee, which is the supreme principle for party discipline. If this principle is neglected, it is meaningless to stress that the part must be subordinate to the whole.

Will the emphasis that the part must be subordinate to the whole play a role in restricting local initiative,

thereby adversely affecting reform, opening to the outside world, and invigorating the economy? It will not. Simplifying administration and the delegation of power is a set policy of the Central Committee, but this does not mean that orders of a higher party committee are no longer authoritative. Reform, opening to the outside world, and invigorating the economy constitute an important part of the party's basic line for the initial stage of socialism, but invigorating the economy must not lead to chaos. Now, indifference to discipline has led to economic disorder, becoming a prominent problem impeding the progress of reform. Reform must proceed with guidance and in an orderly manner. The economy can be truly invigorated only by establishing a new order for the socialist commodity economy. Only by fostering the good habit of observing discipline and heeding the general interest among all party members can we successfully complete the task of improving the economic environment, rectifying the economic order, and deepening the reforms.

Journal Commemorates CPC Third Plenary Session
OW0902144889 Beijing DANG JIAN in Chinese No 12,
5 Dec 88 p 1

[Article by Lin Yan [2651 6056]: "Continue To Emancipate the Mind and Persist in Seeking Truth From Facts—Commemorating the 10th Anniversary of the 3d Plenary Session of the 11th CPC Central Committee"]

[Text] The 3d Plenary Session of the 11th CPC Central Committee, which was held 10 years ago, was a meeting of great practical importance and far-reaching historical significance in the history of the party. The greatest achievement of the meeting was that it put an end to the "leftist" mistakes in guiding thought and restored the ideological line of seeking truth from facts, thereby emancipating, to a large extent, the minds of the whole party and the people of the entire country and ideologically opening up the way for shifting the focus of the party's work, for launching an all-around reform and opening to the outside world, for deciding on the basic line for the initial stage of socialism, for upholding the principle of "one center, two basic points," and for building socialism with Chinese characteristics. The achievements in the fields of the economy, politics, culture, living standard, and social life scored by China in the past 10 years can be attributed to the 3d Plenary Session of the 11th CPC Central Committee and represent a victory won by the party and the people of the entire country under the guidance of the line adopted at the session. This was also a victory for the party's ideological line of seeking truth from facts.

To seek truth from facts means to study and understand the objective laws governing things and to work in accordance with such laws. The ideological line is not a trifling question; it is the foundation for deciding on a political line and is the sure guarantee for the implementation of a political line. Whether a correct political line can be implemented depends on whether an ideological

line is correct. Historical materialists hold that man is creating his own history, but he cannot create it as he pleases. Man must do his work well and correctly create his own history in accordance with objective laws governing things. Comrade Mao Zedong once said: If man wishes to achieve an anticipated result from his work, his knowledge must conform to the law of the objective external world. Otherwise, he will fail in practice. The historical experience our party has gained in the past decades and the facts before and after the 3d Plenary Session of the 11th CPC Central Committee show that our cause triumphs and advances whenever we persist in seeking truth from facts and whenever our subjective knowledge is fairly close to objective realities. Otherwise, we suffer twists and turns and even failures. Therefore, whether we persist in seeking truth from facts and bring into full play our subjective initiative is a matter of great importance concerning the success and failure of our revolution and construction.

Every one knows the importance of seeking truth from facts, but it is not easy to put this into practice. Sometimes we think we are seeking truth from facts, but actually we are not doing so. Why? This is because man's knowledge of objective realities is not only limited by objective conditions but is also limited by his subjective knowledge, including his original stand, viewpoint, way of thinking, habits, prejudices, and so forth. These things prevent him from correctly understanding objective things. Therefore, to seek truth from facts, we must discard old habits and prejudices, discard subjectivism and metaphysics, discard "leftist" or rightist ideology, overcome the tendency of doing things hastily and willfully, and earnestly study all aspects of things. Only thus can we understand and master the objective laws governing things in the course of practice. Therefore, emancipating the mind and seeking truth from facts are interrelated and complement each other. Without emancipating the mind, it is difficult to seek truth from facts; the purpose of emancipating the mind is to seek truth from facts; at the same time, only by seeking truth from facts can people truly emancipate their minds. "Freedom is the knowledge of the necessity." When man understands the necessity and the objective law, he is free and will be able to truly emancipate his mind.

Generally speaking, we have gained a better and deeper understanding of objective realities since the 3d Plenary Session of the 11th CPC Central Committee. Therefore, we have made tremendous progress in all fields of work since then. However, we cannot say that all our comrades are following the correct ideological line; we cannot say that our knowledge of all problems is realistic and practical. No doubt, there are many reasons for the emergence of abnormal phenomena, such as blindly vying for a higher growth rate, the excessive scale of capital construction, inflation, and economic disorder, in our economic life at present, but isn't this situation a reflection that some localities and departments lack a sufficient understanding of objective things and are

doing things blindly? This merits our careful consideration. Of course, it is also not strange that this situation has emerged. Reform, opening to the outside world, and socialist modernization are all new things. We lack experience. Before us there are still many "realms of necessity" that we do not understand. This demands even more that we insist on seeking truth from facts, carefully study and cautiously size up the situation, do things prudently, adopt comprehensive measures, and dialectically study and analyze the problems. This will enable us to do our work more effectively. Comrade Deng Xiaoping has said: "In the past we won victory for the revolution by relying on seeking truth from facts. Now we still have to rely on seeking truth from facts in realizing the socialist modernization program. Not only should the Central Committee, provincial party committees, prefectural party committees, county party committees, and commune party committees seek truth from facts, emancipate their minds, and use their heads in studying the problems and doing their work, but every factory, government organ, school, shop, and production team should do the same." At present, we are shifting the focus of deepening the reforms to improving the economic environment and rectifying the economic order. To commemorate the 10th anniversary of the 3d Plenary Session of the 11th CPC Central Committee, we should keep in mind the task of improving the economic environment, rectifying the economic order, and comprehensively deepening the reforms; earnestly sum up experiences; restore our ideological line to correct order; boldly emancipate our minds; boldly seek truth from facts; raise our political awareness; overcome the tendency of doing things blindly; and take into consideration the conditions in the country, provinces, cities, counties, townships, and factories when we are doing our work. We should integrate the universal truth of Marxism with the reality of work in all fields, integrate the work in a region and department with the overall interest of the whole country, and strive to make our subjective knowledge accord with the law of the objective external world. This way we will be able to continue to achieve new successes in reform and construction.

Wang Li's Essay on Cultural Revolution Reviewed
HK1002032789 Beijing RENMIN RIBAO in Chinese
2 Feb 89 p 8

[Article by Mu Hui (3668 1920): "All People Are Equal Before Truth"]

[Text] Recently a Shanghai newspaper contributed a large space to publish Wang Li's intelligent article in the question and answer section on the "Great Cultural Revolution." It seems that this move did not meet with anybody's interference. We wonder if this is a signal indicating that the "Great Cultural Revolution" is no longer a forbidden zone in research work.

The "Great Cultural Revolution" was indeed a very complicated event. At the conclusion of his article, Wang Li said: He is a citizen of the PRC and therefore, has the

right to publicly clarify some facts. This remark cannot be considered wrong. However, what are the "real facts" he revealed? It turned out that Wang Li seemed to be a victim rather than guilty person (at least he must be some sort of an accessory) and a target of persecution by Kang Sheng rather than a member of the latter's clique. The term "Wang, Guan, Qi [Wang Hurgwen, Guan Feng, and Qi Benyu]" was Jiang Qing's creation and it was "an unscientific rather than erroneous wording." Wang Li's "realm of thought far surpassed that of Qu Yuan and Jia Yi...." Are all these the facts?

As a matter of fact, Wang Li's question article had some advantages. It helps the readers understand Wang Li's current situation and views. For example, he has better living conditions than many other old cadres have. He has "a fine-looking compact car," "his natural and unrestrained manner remains with him," and "has a bright and spacious house with its floor covered with red carpet...." Not only are ordinary cadres out of reach of these conditions but even an 8-grade senior cadre who was a deputy director of the Propaganda Department under the South China Subbureau during the initial post-liberation period and assumed the office of deputy director in the People's Publishing House when the department "was expanded" in 1957 was too inferior to bear comparison in this regard. Again for example, not only Wang Li but Comrade Ye Yonglie, author of the article, also made bitter complaints about the former.

Some people criticized Ba Jin in a Tianjin magazine, saying that our revered Comrade Ba must talk more about more practical problems of right and wrong rather than dealing endlessly with the "Great Cultural Revolution" in his "Random Thoughts." Wang Li's speech has proved that the "Great Cultural Revolution" is not an antiquated topic of conversation.

The point at issue is that now that the "brave men" during the "Great Cultural Revolution" including Wang Li can talk about the "Great Cultural Revolution," the other people have all the more the right to discuss the "revolution" as citizens. If all people are equal before truth, this will actually be a good thing.

Nevertheless, apparently, it does not work. In talking about the questions he debated with Comrade Dong Bian over the case of Tian Jiaying who died unclear of a false charge, Wang Li said: "Comrade Dong Bian does not necessarily know what I know about the case." On another occasion, he said: "The issue of Wang Li involves to some extent secrets that the state has not revealed." This is tantamount to saying that as you are ignorant about the real situation and secrets, you Dong Bian had better stand aside and do less interruption. Since I know the secrets, it is only proper to let me make comments on the "Great Cultural Revolution" and on myself. Since even Dong Bian, wife of Tian Jiaying, does not have the right to speak on the matter, let alone ordinary people like us. However, you can hardly blame him for that since he was one of the drafters of the "16

May Circular" which criticized the principle that "all people are equal before truth." At that time, there was no political transparency to speak about.

I still interestingly and stubbornly uphold the principle that "all people are equal before truth." I do not advocate that everybody brings up old scores again but if Wang Li is entitled to talk about the "Great Cultural Revolution," numerous people who were persecuted in different forms during the "Great Cultural Revolution" and whose cases had different consequences have all the more the right to discuss the "Great Cultural Revolution." Today, when the central authorities have made a decision to negate the "Great Cultural Revolution" in an overall manner, is it not a monstrous absurdity to gag people using so-called "secrets?"

Commentary Examines Inflation Control Prospects
HK0902145989 Hong Kong ZHONGGUO TONGXUN
SHE in Chinese 0900 GMT 3 Feb 89

[Commentary by Yi Lan (0122 5663): "Can Mainland Succeed in Curbing Inflation This Year?"—ZHONGGUO TONGXUN SHE headline]

[Text] Hong Kong, 3 Feb—Some economists and scholars in Beijing believe that Mainland China's inflation rate will remain at 15 percent or greater this year. This is much higher than the 10 percent inflation rate expected by the central authorities.

According to a report in the Shanghai-based SHUIE JINGJI DAOBAO, at a discussion meeting held in Beijing not long ago, some economists and professors pointed out that the government plans to control the inflation rate to about 10 percent this year, but that there could be a lot of difficulties in implementation. They said that, viewed from the condition of the upturn in prices toward the last quarter of 1988, it will be very difficult to keep the inflation rate to 15 percent unless there are powerful measures to keep credit under control. But the ruthless fact is that the coastal opening areas in the southeast and the areas that have to get rid of their poverty-stricken conditions in the northwest and the southwest require "some exceptions" in cutting back the investments in capital construction on the grounds of "their own specific conditions."

Another reason is that Beijing has made it explicit that investments in capital construction will be cut back by 50 billion yuan. However, this involves only those projects covered by the budget, while it will be very difficult for Beijing to effectively control the extrabudgetary projects built on their own by various provinces and cities, which account for 80 percent of the volume of investments in capital construction.

These experts pointed out that Beijing's attempt to restore centralization can hardly be effective in the near future. They said that it will be very difficult to set up the new economic order very soon, and the macrocontrol

function of the central authorities is anything but strong, while the "expansion in capital construction, investment, and consumption" will reappear, and worsen, with some suppressed projects returning to life.

The above-mentioned views of economists and scholars in Beijing may be somewhat gray, but the main essence of their views cannot but rouse our attention. The fact that the economies of many provinces and cities remained hot in January this year has proved this point. History also proves another point, namely, that the remarks of some experts and scholars might seem severe, but neglecting their advice will often lead to losses to the national economy. Only a month has passed in 1989. If the top echelons of the CPC are capable of presenting effective measures to cut back investments in capital construction and to keep institutional purchasing power under control, the situation of inflation could be somewhat better than last year.

Overheated Economy Causes Energy Shortage
HK0902142489 Hong Kong ZHONGGUO TONGXUN
SHE in Chinese 1036 GMT 3 Feb 89

[“Overheated Economy Leads to Strains on Energy Supplies”—ZHONGGUO TONGXUN SHE headline]

[Text] Beijing, 3 Feb (ZHONGGUO TONGXUN SHE)—As the year 1989 is dawning, all localities throughout China are facing shortages of coal, oil, and electricity, although China overfulfilled all its production quotas of coal, oil, and electricity in 1988. According to an analysis by sources concerned, the overheated economy is the root cause for this contradiction.

Statistics show that China's raw coal and crude oil outputs last year respectively increased by 32.5 million tons and 3 million tons over the previous year, while its electric energy production increased by more than 40 billion kilowatt-hours. However, the overheated economy, especially the drastic boom of processing industries and township and town industrial enterprises has made the growth in the energy industry lag far behind the overall economic growth. Last year, except in Shanghai, the industrial growth rate in both east China and the south China coastal areas, which are now suffering most bitterly from the shortage of coal and electric energy, was about 30 percent, much higher than the growth rate for the energy industry. Hence the "nationwide overall shortage" of energy, especially electric energy, is just inevitable.

A responsible person of the Ministry of Energy Industry said one of the important factors contributing to the serious shortage of energy over the past 6 months was that consumption of coal in excess of quotas resulted in a reduction in the amount of coal that had been allocated for the power industry, and thus many large power plants were not supplied with enough coal as prescribed by the quotas.

As far as we know, the overall shortage of energy that the country has been suffering since the latter half of last year has not been eased but aggravated. The person in charge of the operation of the East China power supply network said the shortage of electricity and coal will continue to be aggravated this year. For the moment Xuzhou power plant and some other power plants have stopped operation. Due to the shortage of coal, the well-known Baoshan Iron and Steel Corporation is now about to stop operation, and a 350,000-kw generating unit has already been forced to stall because coal is out of stock there.

It seems that the shortage of energy has made more Chinese realize that a boom of other industries will be impossible without the support of the energy industry. The departments concerned have also noticed the importance of a reasonably fixed industrial and agricultural growth rate.

Due to the present energy shortage, there is no doubt that some high energy-consuming processing industries that are not badly needed will have to stall, and some township and town enterprises that have been established rashly but do not produce good economic returns will have to be closed, in the operation that is currently under way in China with the aim of improving the economic environment and rectifying the economic order.

Commentary Views Forum on Economic Theories
OW1002001989 Beijing GUANGMING RIBAO
in Chinese 28 Jan 89 p 3

[Article by Han Zhiguo (7281 1807 0948) and Wei Jie (7614 2638): "In-Depth Thinking Challenged—Commentary on Study of Economic Theories in 1988;" according to an editor's note, the "Forum to Review the Study of Economic Theories in 1988" was jointly held by the Department for Theoretical Study at "GUANGMING RIBAO," the Editorial Department of the "Almanac of China's Economic Science," and the Editorial Department of the "Reference Material for Economic Studies." Attending the forum were Wei Xinghua, Fang Sheng, Fang Gongwen, Liu Shihua, Lu Yimin, He Wei, Zhang Xiangmin, Zhang Zhuoyuan, Zhang Yaoqing, Zhang Liuzheng, Li Xiankui, Li Zhishan, Zhao Shibao, Rong Jingben, Xiao Liang, Tang Zhongkun, Han Zhiguo, Jiang Yingguang, Wei Jie, and other comrades. All participants had warm discussions, and contended on some of the issues in which they had differing views. This article was written on the basis of the speeches delivered at the forum.]

[Text] In publishing the almanac on the study of the Chinese economy, 1988 was an extraordinary year. Drastic fluctuations in the development of the macroeconomy and the frequent adjustments of China's economic policy during that year not only posed extremely difficult problems to those who study economic theories, but also provided them with the opportunity to review

the economic theories of the past and the reform program, and put the economic theories on a new starting point. In face of the grim economic situation, people are no longer satisfied with the ordinary study of countermeasures. They need to carry out theoretical study in even greater depth. It is precisely against this type of social and economic background that the broad masses of economic theoreticians and workers have displayed a high sense of responsibility for society and history, and put forward a series of new concepts and proposals for reform of China's economic structure and the development of China's economy.

Issue of Establishing a New Economic Order in the Course of Carrying Out Reform

To establish a new economic order, we must take into consideration the issue of setting up a specific system for development of the economic structure. The new economic order must be established with commodity economy as its foundation. The core of the new economic order is to combine rights and duties, and the key to developing the new economic order is to standardize all government activities.

In 1988, China's economic operations were in disorder. Therefore, how to turn this economic disorder into an orderly operation to establish a new order for the development of the socialist commodity economy has naturally become the focus of discussions by scholars in the economic field. The major issues under discussion are as follows:

1. What is the focal point of the new economic order? Some comrades point out: The essential point of our reform program is to change the practice in China's original economic structure of performing economic operations with administrative power and to carry out economic operations, with the commodity economy as the foundation. Therefore, the new economic order is essentially one for development of the commodity economy. It is not aimed at integrating the original administrative rules and regulations with those for the development of the commodity economy under a new pattern. The new economic order includes, not only the order of economic operations themselves, but also the supportive legal system and rules and regulations, as well as new concepts of value and morality. The commodity economy is actually the market economy. To establish a new order for the commodity economy means to work out a market order and regulations, set up moral standards compatible with market operations, and establish a system with which society may oversee and adjust market operations.

2. What is the key to new economic order? Some comrades point out that unity between rights and obligations constitutes the key to commodity economy operations. The principles of equality, competition, and exchange at equal value are built on the basis of the

corresponding relationship between rights and obligations. The fact that relations between rights and obligations are slanted is the major cause of the disorderly operations of China's economy and its inclination toward drastic development. It is also a deeper-lying root cause of the phenomenon of "reversion to the old system," which has been constantly recurring in the past few years. Because the rights are not symmetrical to the obligations, some people are enjoying rights without undertaking corresponding obligations, and others have obligations, but don't enjoy the rights they deserve. This has led to the unlimited intrusion of government and administrative power into the realm of operating the economy. Consequently, under the impact of government and administrative power, a side effect of poor currency driving away the good [lie bi qu zhu liang bi 0503 1578 7517 6632 5328 1578] will occur in the economic order. Therefore, the key to establishing a new economic order is to unify rights and obligations, and turn social and economic relations into those compatible between rights and obligations, to create the prerequisite for exchange at equal value and fair competition.

3. Where is the key to the establishment of a new economic order? Some comrades hold that a new economic order calls for regulations governing the behavior of enterprises, and those governing market and government behavior. At present, China's market management is chaotic, and too many people are violating the regulations. The main reason for this is that there are no regulations defining enterprises' behavior throughout the entire process, beginning from when they enter the market, through their activities in the market, up to the time they leave. There are no clearly defined regulations concerning government behavior. Members of society also lack the concept of the commodity economy and the need to observe law and discipline. They are not familiar with, nor accustomed to, market regulations.

In these three respects, the major problem is the lack of rules to govern the government's behavior. In the commodity economy, the government is the "umpire." However, the "umpire" is now partial. He not only violates rules, but also joins the ball game himself, causing indistinctness between government functions and enterprise management and between officials and businessmen, causing rampant "bureaucratic racketeering" and serious law violations among taxation, public security, and industrial and commercial administrative personnel. Viewed from this angle, the key to establishing a new economic order lies in setting rules to govern the government's behavior. Nothing can be expected if the government does not abide by rules.

On the aforesaid questions, the academic community holds different views. However, there is a common trend in their views—a shift from favoring the creation of a new structure to favoring the creation of a new system. In other words, we should not remain at structural

reform with emphasis on creating supportive mechanisms, and we should think more profoundly and consider the establishment of a specific system behind the structure. During discussion, people more and more clearly realized that economic disorder is caused, not only by poor management, but also by the lack of a self-restraining power in the specific economic system; and not only by problems in a certain structure, but also by the lack of a comprehensive reform of economic, legal, and political structures. The shift from favoring the creation of a new structure to favoring the creation of a new system is no doubt important progress in the research of China's economy.

On the Question of How To Have a New Understanding of Socialism and Capitalism

Contemporary capitalism is the "institution of higher learning" for the community-orientated commodity economy, and it and socialism have many things in common. To have a new understanding of capitalism will help us study the contradictions between the existing structure and the optimum distribution of resources, and find the connecting point between socialism and the commodity economy.

How to have a new understanding was a hot subject in the 1988 theoretical discussions. A main feature of those discussions was that the participants abandoned the old practice of studying only socialism to understand the situation of socialism, and they strove to have a new understanding of socialism, capitalism, and Marxism at the same time, conducted a more systematic analysis of the characteristics of capitalism, and put forward some new points of view.

—They have had a new understanding of the basic contradictions of capitalism. Some comrades pointed out: Since the end of World War II, capitalist enterprises have greatly enhanced their ability to adapt themselves to socialized production, thanks to rapid scientific and technological development and improved government regulation and control over the economy. In particular, the system of joint stock companies as a form of enterprise with socialized capital has become more and more important in the capitalist economy, and made the characteristics of the micro-basis of the capitalist economy different from those of the Marx era. This shows that major changes have taken place in the basic contradictions of capitalism. For this reason, we should seriously study the causes and process of evolution of the basic contradictions of capitalism and reach the necessary conclusion.

—They have had a new understanding of the relationship between capitalism and socialism. Some comrades held: Socialism and capitalism are not at two diametrically opposite poles. They have many things in common, such as socialized production, scientific management, and development of the commodity

economy. In those common aspects, developed capitalist countries are ahead of socialist countries. Other comrades pointed out: To take the productive forces as a criterion is applicable to both socialism and capitalism. Contemporary capitalism reflects the new achievements of human civilization and is the "institution of higher learning" for the community-orientated commodity economy. We should strive to learn from the good experience of capitalist countries in the development of the community-orientated commodity economy in order to promote our reform and modernization.

—They have had a new understanding of our times. More and more comrades realize that the present is an age of peace and development, not the imperialist era nor the era of proletarian revolution. Peaceful coexistence and common development have become the main topic of various countries.

To reunderstand socialism through the mutual relations between capitalism and socialism is an important step in deepening our understanding of socialism itself. In some respects, reunderstanding capitalism and reunderstanding socialism are two aspects of the same issue. We can even say that reunderstanding capitalism is a precondition for reunderstanding socialism. In carrying out reforms, it is correct to insist on taking into consideration the conditions in our country, and to insist on having Chinese characteristics. However, we should not ignore the common laws of, and inherent requirements for, the development of the commodity economy just to insist on having Chinese characteristics. Reunderstanding capitalism as it originally is, not only will enable us to deepen our understanding of the general laws of, and inherent requirements for, developing a community-orientated commodity economy, but will also help us further understand the internal contradictions between our existing systems and our efforts to optimize distribution of resources, find the point of contact between socialism and the commodity economy, and change and eliminate the twisted mechanisms imposed on the commodity economy by our existing systems.

The Property Right Theory and Shareholder System Issue in Reforming the State Ownership System

In attempting to integrate the public ownership system with the commodity economy, we should see if the two can be combined, what problems will crop up in the process of integration, and what measures we should take to solve these problems. In this context, the idea of reforming the public ownership system with the commodity economy by changing the property right system is worth considering.

Study of reforming the state ownership system in 1988 focused on the issue of the property right and shareholder system, and was conducted in a more penetrating and specific manner. Progress in the study were mainly demonstrated in the following aspects:

1. On the relations between property and civil rights. Some comrades pointed out that all kinds of rights are essentially personal rights; that property rights, only when based on personal rights, can truly become social rights and a general, social binding force; and that property rights of legal persons, if not based on personal property rights, would probably become castles in the air.

2. On the form of materializing property rights. Some comrades pointed out that there are three basic forms of materializing property rights: The first is the direct materialization of property rights, that is to say that property owners and the right to manage and use their properties are directly linked, and that property owners materialize their property rights in the course of directly managing and using their properties. The second is the indirect materialization of property rights, that is to say that property owners are not in direct control of their properties, that the right to manage and use their properties is exercised by other people, and that property owners materialize their property rights through receiving profits generating from their properties. The third is to transform materialization of property rights into another form, that is to say that property owners transfer the whole property rights to a specific group—a shareholder company, and, in return, are given a new type of rights—a shareholder's rights. This form of materializing property rights meets the objective requirements for socializing capital for the purpose of socializing production, and should be the direction of reform of state-owned enterprises.

3. Difficulties in reforming the existing property right system. The major difficulties are: 1) Respect for the public ownership system formed over the years have made people psychologically unwilling to accept and support reform of the existing property system. 2) The existing financial system has made the government unwilling to pay for the costs of property rights reform, or even unwilling to exchange short-term reduction of revenues for long-term increase in revenues. At the same time, the current financial system of taking care of one's own business has also hampered the implementation of property rights transfer, enterprise merger, and other reform measures. 3) Pluralization of government functions has affected the establishment of the goal of maximizing profits from property rights. Organizations dealing in state-owned properties have had difficulties in freeing themselves from the influence exerted by social goals associated with other functions of the government, and the adding of noneconomic goals in property rights dealing has caused disruptions.

4. Relations between the contract responsibility and shareholder systems, especially problems concerning how to link the two; establishment of enterprise shares; and the tasks and nature of organizations managing state-owned properties, were discussed in a more penetrating manner.

From an overall point of view, the discussions on property rights by scholars in the field of economic affairs in China are gradually touching the essence of the issues. Is there any contradiction between the system of public ownership and the commodity economy? Theoretical studies in the past few years were basically conducted under the guidance of the concept of developing the commodity economy on the basis of the system of public ownership. As seen from the history of social and economic development, the commodity economy is developed on the basis of the system of private ownership. The system of public ownership and planned economy can be linked. When we try to link the system of public ownership with the commodity economy, we must first see if they can be linked together, what kind of problems we shall encounter in the course of linking them, and what kind of measures and steps we must take to solve the contradictions between them. We must not come to the conclusion that they surely can be linked, while totally ignoring the contradictions between them. Otherwise, society will demand that we pay a high price for availing ourselves of the opportunity to carry out reforms. The experiences of various socialist countries in carrying out reforms have invariably proven this point. In this sense, the concept of using the commodity economy to transform the system of public ownership through the change of the system of property rights, as put forward by theoreticians in the economic field is worthy of our full attention.

Regarding Issues of Price Reform and Inflation

In carrying out price reform, we must have the necessary objective conditions, and create and seize the timely chance. The policy of stimulating economic growth with inflation must be abandoned. To combat current inflation, we must "not change our tactics in curbing inflation, and we must adopt appropriate measures and link our measures with our reform program."

In 1988, issues of commodity prices and inflation had become the major topics of the people's conversation. A high tide of panic buying had been whipped up during the year. As a result, the original plan for price reform was postponed. Due to the double-digit inflation, people's impressions of price reform have become even deeper than ever before. The signs are as follows:

1. The people have deepened their understanding of the environment for price reform. More and more comrades have realized that price reform is not only an economic issue, but also a complex social issue. We must carry out price reform. Without it, it will be impossible to establish an economic system meeting the requirements of the market economy. However, in carrying out price reform, we must have the objective conditions, and seize the timely chance. If we rashly lift price control when the conditions are not ripe, a fierce turmoil will prevail in society, causing our price reform to fail.

2. The people have deepened their understanding of the relations between price increases and inflation. Some comrades pointed out: The main reason for price increases is the excessive issuance of paper money, while the excessive issuance of paper money is due to the overheated economy. The overheated economy and the system of enterprises which seek to expand without balancing their budgets have made excessive investments, and aggravated inflation and consumer spending. As a result, prices soared continually. Therefore, the policy of stimulating economic growth with inflation must be abandoned. The system of "banding banking and financial affairs together" must also be reformed as soon as possible.

3. Since the fourth quarter of last year, the commodity price increase and inflation problems have caused serious concern among people. Our country's economy has again entered a period of new readjustment. The implementation of the deflation and monetary retrenchment policies have yielded some effects on curbing inflation, but it is impossible to expect the commodity prices to drop drastically in a short time. For this reason, we must have a feasible target for improving the economic environment. In the course of improvement, we should pay attention to the orientation and effectiveness of macro-economic policies to combine the readjustment of economic growth rate and the readjustment of industrial structure. We should also pay attention to linking readjustment with reform so as to avoid restoration of the old structure in the course of readjustment. We should fully realize that a drop in production growth rate is unavoidable in the course of curbing inflation. If we try to lower the commodity prices and keep the high economic growth rate at the same time, the inevitable consequences will be getting ourselves back again into the vicious circle of "retrenchment-complaint-relaxation of control-disorder." Therefore, in order to curb inflation, we should adopt a policy of keeping to the orientation of deflation and combining proper measures with the reform."

On the Question of Income Distribution Mechanism and Unfair Income Distribution

The main reason for unfair income distribution is that our income distribution mechanism has not truly been market-regulated. The absence of a political structural reform, the lack of rules to govern the government's behavior and the lack of ethical integrity among some government functionaries are enabling more and more people to abuse their power to receive illegitimate high income. For this reason, we should reform the unified distribution system, promote the reform of the political structure, and ensure high standards of ethical integrity in the government.

In 1988, the theoretical circles made more remarkable progress than in 1987 in the discussion of the question of income distribution mechanism and unfair income distribution.

First, they have had a new understanding of the causes for the unfairness in income distribution between different economic sectors, between state-owned enterprises of different trades or different state-owned enterprises of same trade, between mental labor and manual labor, and between different regions. Some comrades pointed out: Under the current structure, the income distribution is unfair mainly because the income distribution mechanism is not truly market regulated. The failure to commercialize labor remuneration causes unreasonable income differences, and the lack of rules and regulations to govern the distribution of capital funds causes unreasonable differences in capital funds distribution. For this reason, the major step to correct the unfair income distribution under the present structure is to reform the unified income distribution system, and universally implement the distribution principle of combining labor remuneration and capital funds distribution.

Second, they have suggested more comprehensive ways for dealing with the unfairness in income distribution caused by those who abuse their power to reap staggering profits. Some comrades pointed out: Although excessive total demand and economic shortage have created a favorable environment for some people to reap sudden huge profits and the disorderly redistribution mechanism has provided some people with the opportunity to make colossal profits, a more important fact is that the absence of a political structural reform, the lack of rules to govern the government's behavior, and the lack of ethical integrity among some government functionaries are enabling more and more people to abuse their power to receive illegitimate high income. Therefore, it is a task of top priority to promote the reform of the political structure and ensure high standards of ethical integrity in the government in order to remedy the unfairness in income distribution caused by some people receiving illegitimate income. From a long-term point of view, to deprive the government organs of their power to distribute capital funds and materials and let the market handle the distribution of resources is the only way to prevent government functionaries from abusing their power to seek private gain.

During the discussion on unfair income distribution, some comrades applied a rent collection theory in analyzing the unfair income distribution issue in China. They held that the main reason for serious unfair income distribution in our country is the too great control of the market by the administrative force. A "visible foot" is stepping on the "invisible hand," making some individuals use their power to seek nonoperational proceeds, or to collect rent. Facts show that all such malpractices as reselling approved deals, quotas, or permits for huge profits, and taking advantage of the price differences under the "double-track system" to earn profits are a typical rent collection behavior. Therefore, a fundamental measure to eliminate unfairness in income distribution is to further develop the market, promote the reform of the political structure, and create the economic and political systems that conform to the requirements of a market economy.

On the Questions of the Environment for the Growth of Economics and the Economists' Sense of Social Responsibility

Theoretical research needs a relaxed environment. We should not set up any judge for academic questions. In the course of turning an academic viewpoint into a specific policy, academic circles should be given "ample" time to comprehensively discuss the viewpoint. At the same time, economists should stress a sense of social responsibility and emphasize practice and the productive forces as criteria for examining things.

In 1988, the progress made in the research of economic theories in China was remarkable. However, the problems encountered should not be ignored either. In addition to other specific questions, people are generally concerned about the environment for the growth of economics and the economists' sense of social responsibility.

In the preceding several years, the question of the environment for the growth of economics attracted widespread attention among people. It was for some complicated reason that the question was posed again in 1988. Some comrades pointed out: Reform in socialist countries is a grand systems engineering project. In this project, many complex contradictions and problems are unavoidable, requiring research and solution by theoretical and practical workers working together. The commodity economy is an undertaking requiring tens of millions of participants. The establishment of an economic structure founded on the commodity economy also requires thousands upon thousands of theoretical and practical workers to work together. We may even say that, without profound theoretical research, it is very difficult to make sound, practical development. Since reform began, all major progress has had something to do directly with profound, theoretical research. Likewise, all the difficulties being encountered in the course of reform in our country currently have something to do with the lack of profound theoretical research or of a bridge between theory and practice. The question of an overall design for economic restructuring has repeatedly drawn public attention, but a feasible plan has yet to be worked out. This probably has something to do with the fact that there is still confusion regarding major issues in the study of economic theories, including, for example, the contradiction between public ownership, distribution according to work, and the existing political structure and the commodity economy. Although academic circles have noticed them and have begun initial research, what they have done still falls far short of practical requirements. Theoretical study lags behind because ideology lags behind, and the fundamental reason ideology lags behind is that our practice is still far from adequate, and there are still forbidden zones in our minds. In the course of reform, we have come up with a proposition of revolutionary significance, that is, the criterion of productive forces, which has exerted a tremendous effect on promoting the practice of economic

restructuring. We should also apply this criterion in the study of theory on reform of the economic structure, and use it to break through the assorted forbidden zones in theoretical studies.

A foremost condition for applying the criterion of the productive forces in the study of theory is that there must be a relaxed environment for theoretical studies. The word "relaxed" has two implications: First, people should be allowed to freely discuss all major questions of theory or practice concerning reform and development. We should not set up as a judge for academic questions. Regarding different academic views, the government should listen extensively to all kinds of views and choose the good ones; when it adopts a certain academic viewpoint, it should not reject the others. Second, in the process of adopting an academic viewpoint and turning it into specific policy, the government should give academic circles "ample" time to carry out comprehensive discussions to fully exhaust the viewpoint's theoretical and practical value, to take ample stock of the difficulties which may be encountered in the course of turning the viewpoint into policy, and to work out specific countermeasures and plans to deal with them.

In recent years, there has emerged, insofar as the study of economic theory is concerned, a "utilitarian" tendency of emphasizing only research of countermeasures to the neglect of the study of basic theories, and researchers have come up with countermeasures even before they get a thorough understanding of the law of theory. Some scholars, either consciously or unconsciously, ask leaders to be the "judge" of the results of their research, and even go so far as to take leaders' comments as the criterion for judging whether their viewpoints are correct. This is neither good for the normal discussions among different viewpoints nor for the in-depth study of the problems concerning reform and development. Evidently, we should stress the economists' sense of social responsibility and emphasize practice and the productive forces as criteria. Whether we are studying theory or countermeasures, we shall not be able to make substantive progress if we don't have this sense of social responsibility. At the same time, we must draw on the methods of foreign nations in evaluating academic theses and establish a scientific mechanism for evaluating academic research achievements to avoid the current widespread, low-level repetition in economic theory research in our nation, and constantly improve China's standards in such research.

Article Analyzes 'Bottleneck' Industries
HK1002054489 Beijing JINGJI YANJIU in Chinese
No 12, 20 Dec 88 pp 3-9

[Article by Li Poxi (2621 3124 3305), Xie Fuzhan (6200 0126 4232) and Li Peiyu (2621 1014 5148) of the Development Research Center of the State Council: "Development of 'Bottleneck' Industries—An Analysis and Proposals"]

[Text] In recent years, reform of the urban economic structure with enlivening of the enterprises as the center

has scored outstanding successes. But it is regrettable that in the course of the reform industry's deep-lying structure has not been promptly and effectively readjusted and the macroeconomic effects have not been adequately elevated. At present, the problem of irrationality of our country's industrial structure is prominently manifested in the serious restriction posed by the "bottleneck" industries on economic development. The existence of "bottleneck" industries is not only an important cause of the lowering of our country's macroeconomic benefits but also one of the direct causes of the emergence of currency inflation at present. The serious state of the economy has once again placed before us the task of solving the problem of readjustment of the structure of the "bottleneck" industries.

I. Readjustment in Recent Years of the Industrial Structure and the Effects on the Economy at Present

Starting from the very beginning of the reform, we have deeply felt the importance of readjusting the structure. However, up to now the irrational state of our country's industrial structure has basically not improved; and in certain respects it has even worsened.

From 1981 to 1987, the annual growth rates of the basic industries such as metallurgy, electric power, coal, and crude oil (being respectively 8.2 percent, 7.9 percent, 5.1 percent, and 5.9 percent) were still lower than the average growth rate (11.0 percent) of all the industrial departments. The fact that the proportion of the basic industrial departments in industry as a whole had dropped increasingly cannot but make people feel concerned.

Electric power should be a department needing excess development, but from 1981 to 1987 its excess coefficient was in reality 0.97 and it actually became a department which had fallen behind the average growth rate of industry as a whole. The proportion of electric power in the industry as a whole dropped from 3.8 percent in 1981 to 3.1 percent in 1987. At present all the large electricity networks in the country are operating on excess load, the power generation equipment lacks the customary and necessary repair and maintenance, and the concealed dangers to the power networks are continually increasing. According to an estimate, in 1987 the whole country was short of 70 billion kilowatt-hours of electric power supply which kept around one-fourth of production equipment from normal operation, and caused an estimated loss to industrial output value of about 400 billion yuan and a loss of revenue in the form of taxes and profit deliveries to the state estimated at over 50 billion yuan.

Communications and transport are closely related to the growth of the national economy. From 1978 to 1987, the annual growth rate of the GNP was 9.43 percent and during the same period the gross turnover volume of goods increased from 982.9 billion ton-kilometers to 2,222.9 billion ton-kilometers, averaging an annual increase rate of 9.49 percent, and this basically kept pace

with the growth rate of the GNP. However, in these 9 years, the total length of railway lines in operation increased by only 8.23 percent, averaging an annual increase of 0.88 percent, while the mileage of highways in operation increased by 10.33 percent, or an average annual increase of 1.10 percent. At present, on the railways the daily car-loading volume is only 70 percent of the volume actually applied for. Through the years of the increased turnover volume of goods, by far, the largest portion has depended on "tapping the hidden potentials" inside the transport system. In the first half of this year an unprecedentedly stringent situation appeared in communications and transport. This fully illustrated that the excess loading capacity had reached its limit.

The problem of raw materials has also been an important factor affecting the normal operation of our economy through the years. From 1981 to 1987, the average annual growth rate of the manufacturing portion of heavy industry was as high as 16.80 percent, being 11

percent higher than the average annual growth rate of 5.84 percent of the extractive industries and 6.5 percent higher than the annual growth rate of 10.29 percent of the raw materials industries. In our country's current economic structure, calling for a high input but yielding a low output, the long-term stagnated development of the extractive industries and raw materials industries will naturally cause a shortage in raw materials and a surplus in manufacturing capacity, resulting in a great waste of resources.

The imbalance in the industrial structure is an important factor restraining the development of our economy and adversely affecting the enhancement of the macroeconomic and microeconomic benefits. This is principally shown in the following several aspects.

1. Causes economic fluctuations and restrains economic growth.

In the last 10 years, our country's economic growth showed great ups and downs, as seen in the following table:

Fluctuations in China's Economy, 1978-1987

Year	1978	1979	1980	1981	1982
Social gross output value (in units of 100 million yuan, current year's prices)	6,846	7,642	8,532	9,071	9,963
Growth rate (percent)	13.1	8.5	8.4	4.6	9.5
Fluctuations (percent)	21.0	-21.5	-22.4	-57.5	-12.3
Year	1983	1984	1985	1986	1987
Social gross output value (in units of 100 million yuan, current year's prices)	11,125	13,147	16,588	19,066	23,083
Growth rate (percent)	10.3	14.7	16.5	9.1	14.1
Fluctuations (percent)	-4.9	35.8	52.4	-15.9	30.2

NOTES: Degree of fluctuation equals (annual growth rate minus average growth rate)/average growth rate X 100 percent.
SOURCE: Statistical Yearbooks of China.

Seen from the above table, the production gradients after 1978 and after 1985 were all due to policy readjustments. But the innate cause of these policy readjustments was principally the imbalance in the structure. In the first half of this year, the economy of our country again entered a high-tide period. However, seen from the current situation, this high growth rate can hardly continue and most likely we shall go into another period of retrenchment and readjustment.

2. Affects the superior allocation of resources and damages the macroeconomic benefits.

The imbalance in the industrial structure brings about the situation of the coexistence of departments producing goods in short supply and departments producing goods in plentiful supply. According to estimates, at present roughly over 30 percent of the production capacity of our country's processing industries is restrained

from going into full play by the departments producing goods in short supply and as a result large amounts of equipment and labor are lying idle, causing an immense wastage of resources. The losses in macroeconomic benefits can hardly be estimated.

3. Worsens the investment environment and causes a drop in investment benefits.

Weak basic facilities and shortage of raw materials cause the investment turnover period to become increasingly longer and render many projects, following their completion and going into production, unable to fully display their production capacity. According to statistics, of the over 200 large- and medium-sized projects completed and put into production from 1984 to 1986 less than 30 percent have been able to reach their planned production capacity, while over 35 percent actually could not attain 50 percent of their planned production capacity! The weakness in the

basic industries also renders many investment projects unable to follow promptly the supply-demand situation in the domestic and international markets. Frequently, following a decision made on a certain investment project, consideration has to be given to the construction of various coordinated projects starting from the basic facilities. This causes an increase in the number of coordinated projects for the new project and naturally involves an extension of its construction period.

4. Worsens the enterprises' external environment and causes a drop in the enterprise's benefits.

The strained situation in the supply of energy, transport facilities, and raw materials causes many enterprises to fall into the situation of "working only 5 days and stopping work for 2 days a week," or "working 4 days a week and stopping work for 3 days," or "stopping work to await materials," or "suspending work to await transport." The stringent external environment distorts an enterprise's normal functions and such acts as stockpiling, seeking favorable connections, going through back doors, foul play in both labor and materials, and disguised price-raising plus making both "official" and "private" gains in the circulation field all disrupt the normal running order of the economy, lower the enterprises' economic benefits, and cause damage to the macroeconomic efficiency rate.

II. Causes of the Difficulties in Readjusting the Industrial Structure

Why is it that there has been no basic improvement in the long-term distorted state of the industrial structure of our country?

1. Distorted prices have caused distortion of the industrial structure.

For a long time, prices in our country have not reflected value or supply and demand relations. Compared with the price system in international markets, they have formed a sloping type price structure, that is, the prices of the basic industries and facilities, such as raw materials, energy, electric power, and communications and transport tend to be low and the prices of finished products tend to be high. In recent years, although a series of measures has been adopted to rectify the irrational price structure, these reforms were mostly confined to the price arenas of agricultural and sideline products and products of the consumer goods industries. As for the prices of means of production, particularly in respect of those industries and trades seriously short in supply of products or provision of facilities such as energy, electric power, and communications and transport, due to their small supply flexibility and also small demand flexibility (seen from the short term), deregulation of their prices cannot, in the short run, stimulate any rapid increase in supply or restrain any increase in demand but, on the contrary, may cause a rise in the general price level, and hence the reform steps have been

small. As a result, the prices of the products of the processing industries, the profit levels of which are already comparatively high, will show a sustained rise, while relatively speaking the changes are not high in the prices of the products in short supply. This renders the originally irrational comparative price relations all the more irrational. This irrational price structure naturally leads to the investment structure sloping to one side and thereby aggravates the distorted state of the industrial structure. Following the rebuilding of the microeconomic foundation, the enterprise's response to the price signals is increasingly more sensitive. According to computations made, in 1987, the profit rates on the capital of the textile industry, machine building industry, metallic products manufacturing industry, rubber good manufacturing industry, plastic products industry, and chemical fibre industry were respectively 17.09 percent, 14.11 percent, 23.14 percent, 25.67 percent, 13.72 percent, and 14.67 percent. On the other hand, the profit rates on the capital of such industries and trades as industry producing steam or hot water by electric power, the coal extractive industry, crude oil and natural gas extractive industries, ferrous metals extractive industry, nonferrous metals extractive industry and other nonmetallic extractive industries were respectively 5.68 percent, -0.28 percent, 7.5 percent, 11.42 percent, 8.24 percent, and 8.1 percent all of which were far lower than those of the processing industries. How then is it possible to hope for these irrational profit rates on capital caused by twisted prices to attract capital outside the budget to flow to these industries producing goods in short supply?

It should be said that price signals definitely cannot be the only cause of the twist in the structure. Even though the prices are irrational, if the state thoroughly implements a forceful and powerful industrial policy and is capable of greatly increasing the investments in these "bottleneck" industries, it is still possible to change this situation. The problem is that the state's various departments, particularly the local governments at various levels, from beginning to end have not made a sufficient estimate of the passive effects of this imbalance in the structure. As a result the economy has been running for a long time in a state of sickness and the macroeconomic adjustment and control tactics have not been forceful enough.

2. Lack of force in the macroeconomic adjustment and control tactics.

The government's expanding investments on industries and trades producing goods in short supply is a direct and effective measure in readjusting the industrial structure. The problem is that after reform of the financial structure, the ratios occupied by extra-budget receipts has been yearly increasing (their ratio of the inside-the-budget receipts for the years 1981 to 1987 was respectively 59.1 percent, 74.1 percent, 79.9 percent, 81 percent, 83.3 percent, 79.5 percent, and 9.04 percent). Although the pattern of the state's unified receipts has been broken, the situation of contracting and taking charge on a large scale by central finance has not made

any corresponding change. Since both reform and development require financial support, all along national finance has been in dire straits and of the 9 years from 1979 to 1987, for 8 years the budget figures were in the red. From 1984 to 1986, although the gross absolute amounts of the financial receipts expended on capital construction were yearly increasing, in terms of growth rate, the situation was a yearly downward one (1984, 27.72 percent; 1985, 19.4 percent; and 1986, 15 percent). In 1987, capital construction investments were lower than 1986 by 8.79 percent. Despite that, the state has exerted the utmost efforts to put, by far, the largest portion of the investments inside the budget to the short-line industries and trades such as energy, electric power, communication, and transport, yet its actual strength has not complied with its wishes. From 1983 to 1987, of the capital construction investments under the system of ownership by the whole people, the annual growth rate of the investments in energy was respectively 24.5 percent, 29.9 percent, 22.3 percent, 30.5 percent, and 24.4 percent. For the same years, the annual growth rate of the investments in communications and transport and in posts and telecommunications was respectively 36.8 percent, 38.4 percent, 57.4 percent, 5.8 percent, and 4.9 percent. Seen as a whole, their growth rate in many of the years was fairly high and of these investments three-fourths of the funds came from budget appropriations. Thus in recent years national finance definitely exerted great efforts on readjusting the structure; unfortunately, in comparison with the inflated fixed assets investments of society as a whole, although there were increases in the volume of investments on these short-line industries and trades, their proportions did not show any great change while in many years they showed a downward trend. What concerns people is that while the tense situation in communications and transport has been daily mounting, in the past two years the growth rate in the scale of the investments in them dropped rather heavily. The investment trend showing long-line industries and trades proceeding at the same pace with short-line industries and trades and even surpassing the latter renders the state's efforts in readjusting the structure yield very scanty results.

After the second conversion of tax in-lieu-of profit, the products tax and the regulation tax did achieve certain results in rectifying the phenomenon of inequality in joy and sorrow caused by the price distortion, but certain problems continued. The principal problem was that the base used in fixing the tax rate was not in accordance with the industrial policy but was the average profit rate of society and the historically established pattern of irrational interest. Hence, in reality, the taxation policy did not play the anticipated role of readjusting the investment structure and the industrial structure.

In view of the state's limited financial strength, and the inability to make a large-scale increase in the investments in the short-line industries so as to even up the slanting investment structure, is it possible to adopt a currency policy and use the interest rate as a lever to

"raise the short line and check the long line"? Theoretically we should say that it is possible but the actual results are not in line with people's wishes.

In recent years, the currency inflation rate in our country has been steadily rising and far exceeded the interest rate on loans. This actual negative interest rate not only cannot control the general scale of investment but also cannot readjust the investment structure. Moreover, in recent years the average profit rate of industrial enterprises under the system of ownership by the whole people and the collective system in our country has been far higher than the interest rate on loans. Hence, a small-scale readjustment of the loan interest rate will not bring about any large effects on the investment scale. Even though a differential interest rate is adopted, if the grades are not determinedly widened, there can be no too large a restraint on the investment trend to the processing industries in general. This is because the investment time period on ordinary processing industries is short, reaps quick results and the average profit rate is often higher than the profit rate of the short-line industries. In addition, despite that in recent years many of the reform measures have gradually overcome the drawbacks of being responsible only for profits and not for losses and of "everybody eating from the same big pot" at the expense of the state, yet in the whole mechanism this problem is basically unresolved. As a result, even though an enterprise has committed an error in investment and incurred losses in operation, in the end the state has to take up the burden.

Banks in our country are, on the one hand, functional departments of the government's macroeconomic adjustment and control, and on the other hand, possess a certain intrinsic character of being enterprises. Possession of this dual status causes banks to have too many things to take care of at the same time while performing their functions. In recent years, the central government has repeatedly stressed the guideline of implementing the readjustment of the structure and according differential treatment simultaneously with tightening credits and loans. However, because there were neither laws nor regulations and there was only the slogan call, the banks and other financial institutions had no rules to fall upon and naturally and willingly "selected the best for support," and supported the "short-cheap-quick" projects, thereby weakening the banks' role of adjustment and control.

Aside from the financial and currency policies, what remains of the government's tactics to control investment scale and readjust investment structure is the issuance of administrative orders. It should be said that at the present stage, compulsory administrative orders still can play a definite role. One illustration is that since the beginning of this year the vigorous curtailment of house-building projects of a nonproductive nature has attained certain results. The problem is that the controlling form of this "operational" type is after all not a long-term effective measure. The departments, localities

and enterprises have already gathered plentiful "experiences" in countering this kind of administrative orders. They would stop for a while when the wind blew hard but would resume their old tactics again when the wind subsided and there were frequent phenomena of borrowing the name of renovating and transforming to engage in new construction. Seen in the long run, it is still necessary to rely principally on economic levers to regulate investment acts.

3. Imbalance in gross volumes adds to the difficulties in readjusting the structure.

In our country, the gross demand is consistently larger than the gross supply. According to estimates, from 1981 to 1987, the volumes of demand manifested in currency form exceeded actual supply respectively by 25.4 billion yuan, 12.4 billion yuan, 19.0 billion yuan, 81.9 billion yuan, 28.5 billion yuan, 93.1 billion yuan, and 93.5 billion yuan. In the first half of this year, gross supply increased by 17.2 percent, gross demand increased by 31.4 percent, and apparently the gap between supply and demand tends to be further widened. In the first half of the year the gross volume of fixed assets investments of the whole society increased by 16.7 percent over the same period of the preceding year, while consumption demand also increased rapidly. An overly large social demand attracts the further expansion of processing industries which charge high prices and reap large profits and bring increased pressure on short-line industries.

The daily expansion of the contradiction between the gross volumes of supply and demand covers up, to a certain extent, the contradiction in the imbalance of the structure, and the government cannot but devote great efforts to controlling the inflation side of the gross volume of demand and has no time to attend to the structural readjustment of a long-term nature. Due to the indirect adjustment and control tactics lacking perfection or coordination, for the sake of depressing the investment scale all it can do is resort to adopting administrative measures. By doing so, it cannot avoid the phenomenon of hoping to achieve results "at one stroke," thus making it difficult to attain the target of controlling the scale and at the same time readjusting the structure.

4. Noncoordination between the investment targets of the central government and the local governments.

Since the reform, the traditional "departments" have been basically broken, but demarcation by the "localities" has kept on increasing. Streamlining, retrenchment and power delegation by the central government, and "eating from separate kitchens" in finance have greatly augmented the economic functions of the local governments. The local governments' investment policy which has the target of improving the local structure and strengthening the local interests, when seen partially, cannot be condemned but under the condition of a lack of a central industrial policy, the sum of superior parts

does not necessarily add up to a perfect or superior whole. In the absence of guidance from a clearly defined central industrial policy, the scattered policies of the localities can only cause the industrial structure to remain intact, a waste in economic resources, and affect the enhancement of the macroeconomic effects. In recent years, the various localities have competed with each other in investment, foreign imported production lines for high-grade consumer goods, and have even gone to the extent of competitively going into redundant introductions and imports from abroad, causing an extremely serious phenomenon of setting up "shops" or structures at a very low level. On the other hand, the local governments' investments in short-line industries such as energy, electric power, basic raw materials, and communications and transport have been generally insufficient. Take 1985 for example, in the gross investments on capital construction, projects undertaken by the central government increased by 39.3 percent over the preceding year whereas local projects increased by 65.2 percent over the preceding year. But as for the proportion of investments on the major industries separately made, the central government's part was 62.4 percent while the localities' part was only 19.2 percent. From this we can obtain a general idea of the extent of twisting in this new investment pattern.

5. Lack of the necessary essential elements market.

Enforcement of industrial policy cannot be deviated from the role of the market, and the readjustment of the industrial structure needs to depend on the market mechanism from realization under the guidance of the industrial policy. Reform has greatly strengthened the financial strength of the localities, the enterprises, and the populace, and brings about a new investment pattern of pluralism in investment main bodies, smallness in investment scale, and diversion of the investment policy. The guidance role of economic signals is also obviously augmented. However, due to irrational economic parameters of price and interest rate, the lack of a healthy and perfect market and an effective macroeconomic adjustment and control mechanism to guide the investment direction of these funds, plus the fact that such short-line industries as energy, communication and transport, and basic raw materials all require a large investment all at once, a long construction period and a low profit yield on capital funds, it is very difficult to have scattered outside-the-budget funds centralized for input into these short-line industries, except for input into ordinary processing industries which require small investments, yield quick results, and earn high profits. The actual negative interest rate on the residents' savings deposits and their fear and anticipation of future currency inflation have slackened the wishes of the residents to make savings deposits and thereby cause the channel of converting the banks' fixed deposits from consumption to investment to become narrow and blocked.

An unhealthy or imperfect capital market affects not only the input direction of increased volume of assets but also the rational readjustment of the existing volume of

assets. In our country's existing fixed assets, many have been allocated extremely irrationally and because of the imperfection of the market there is no way to make them move and circulate in a rational manner. In the readjustment of the industrial structure, mere reliance on regulation by increasing the volume is not sufficient. Only through putting the role of the capital market into full play and speeding up the circulation of the existing volume can we quicken the steps in readjusting the structure.

Lack of the necessary labor market is also one of the important factors affecting readjustment of the structure. Citadels and ramparts existing between urban and rural areas, between the localities, between the departments and between the ownership systems have made the labor personnel system highly ossified, seriously hindered the rational circulation of labor force, and affected the readjustment of the industrial structure.

III. Certain Propositions for Policy on Readjusting the Structure

Speeding up the development of the "bottleneck" industries is an urgent task in the readjustment of our country's industrial structure. In the following we are raising certain policy proposals on solving the "bottleneck" problem:

1. The economic policy which makes differentiations in the industrial system.

Gradually reforming and abolishing the existing economic favored-treatment policy of differentiating between the localities, between the forms of the ownership system and between the scales of operation of the enterprises, formulating a financial, currency, and foreign trade macroeconomic policy with industry as the objective, and correctly operating the taxation and interest rate tactics to encourage the development of the "bottleneck" industries and restricting long-line products.

(1) Make a clear demarcation between "bottleneck" industries and "nonbottleneck" industries; impose on the "non-bottleneck" industries a 5 percent surcharge, over and above the existing basis, of energy and communications major construction funds (an additional 3 percent surcharge to be levied on urban and rural enterprises and individual industrial and commercial household units); at the same time exempt the "bottleneck" industries from payment of the energy and communication funds.

(2) Change the construction tax into "tax on investment direction," so as to guide and control the investment direction of funds outside the budget. Prior to the establishment of the new tax category, it is proposed that the present collection method of the construction tax be readjusted. On capital construction investment outside

the budget but contemplated inside the plan, it is proposed that an additional levy of 5 percent of the construction tax be made, and on investments for renovation and transformation of the original tax rate be maintained but on the portion in excess of the plan an extra 5 percent will be levied. On investments outside the budget and outside the plan an additional levy of 5 percent of the construction tax on the existing basis will be made. On the building of "imposing structures, club houses, and so forth," the construction tax will be increased to 40 percent. If it is found that renovation and transformation funds are diverted to use on capital construction projects, the construction tax will be increased by 10 percent. The local governments' power of exempting the payment of the construction tax will be abolished while the central government's power of examining and approving exemption of the construction tax will be rigidly exercised. All the receipts from additional levies of the construction tax will be proportionately divided between the central government and the local governments but in all cases they should be used on construction of the "bottleneck" industries. Outside-the-budget capital funds invested in the construction of major projects such as energy and communication and transport will be exempted from the construction tax regardless of in whatever form they are so used.

(3) Lower the tax rates of the products tax and business tax on the "bottleneck" industries. The enterprise's increased profit retention derived from this source should be fully incorporated into the enterprise's production development funds so as to increase the enterprise's ability in self-transformation and self-development.

(4) Regarding the fixed assets loans and circulating funds loans made by the energy and communications "bottleneck" industries, enforce the policy of "priority loans" and "preferred interest rates." The bank's reduced interest income due to the enforcement of the preferred interest rates should be compensated by central finance using a portion of the receipts from the additional levies of the construction tax and compensation should be so made as to restore the average level of interest rates on loans. We may also consider exempting the banks from payment of the tax on the interest income from loans granted to the "bottleneck" industries.

(5) Encourage financial organs not belonging to the banking system to invest in the "bottleneck" industries and restrict their investments in the general run of processing industries.

(6) Put into full play the role of foreign trade and foreign exchange in the readjustment of the industrial structure, give priority treatment when screening and approving imported projects which are beneficial to expanding our country's production capacity in the fields of energy, communications, and basic raw materials; in especially important cases the customs excise should be lowered.

We should strengthen the research work on the feasibility of imported projects versus the redundant importation of construction projects and production equipment concerning which the country has already possessed the production capacity the tax rate of the import regulation tax should be raised. In the case of loans derived from foreign financial organs or governments, regardless of whether they are subjected to the scheme of self-borrowing and self-repayment or to unified-borrowing and unified repayment, the scope of their usage should be clearly specified and the whole of them should be utilized on construction investments in the "bottleneck" industries and the short-line products and should not be used on ordinary construction.

Following the changes and evolution in the industrial structure, the relevant policies should be promptly readjusted and the utmost should be done to have the indirect adjustment and control policy be standardized.

2. Gradually raising the product prices and service prices of the "bottleneck" departments; putting the role of market mechanism into full play in readjustment of the structure.

(1) Formulating a short-term plan and a medium-term plan for readjusting the prices of "bottleneck" departments and fighting for making, within the next 3 to 5 years, the profit rate on the capital funds of the "bottleneck" industries higher than the average profit rate of other industries.

(2) Adopting decisive and forceful measures to raise the prices of products of "bottleneck" industries in a planned manner and step by step.

(3) In order to avoid the alternate rises in commodity prices in the recent period, it is necessary to appropriately control the prices of products of the processing industries and when the time is ripe to deregulate gradually. The rise in production cost caused by the energy and communication departments raising their prices will all have to be digested by the enterprises internally. In the event of a fall in profits and in delivery of taxes caused by failure to digest the rise in production cost, the enterprises' retention of funds for fringe benefits and awards will have to drop proportionately. If the enterprises should incur losses and deficits because of this, then the method of merging the enterprises should be adopted and the production of the enterprises concerned will have to be reorganized. In the case of enterprises which have incurred deficits and do not possess the conditions for merging and or reorganization, their leadership teams will have to be changed or reorganized, and a time limit will be placed on them to turn the deficits into profits.

(4) Regarding products the prices of which have been deregulated, the enterprises producing them will be subjected to the determination of the market mechanism according to the principle of "survival of the fittest."

(5) Speeding up the establishment of the social protective system, and fighting for the formation, within the next 3 to 5 years, of a relatively integrated structure so as to ensure that the enterprise bankruptcy law is truly implemented.

3. Establishing a state stock-control corporation and guiding the direction of investment of funds outside the budget.

It is recommended that regarding basic facilities which are transregional, such as railway trunk lines, highway trunk lines, and electric power networks, a new investment structure be established which takes the state's investment as the main body and also relies on support from social funds.

(1) Establishing a state stock-controlling corporation over major industries such as energy and communications, and absorbing outside-the-budget investments for use on construction of the "bottleneck" industries. On each and every such project the share of the state's investment should exceed 50 percent.

(2) The state stock-controlling corporation does not possess any administrative power. In the near future it is not allowed to invest in ordinary projects outside of the scope of "bottleneck" projects. The localities, enterprises and banks decide on whether or not to buy the shares and/or grant loans on the basis of the financial evaluation targets of the projects.

(3) Aside from granting favored treatment in taxes to the stock-controlling corporation, the government may also consider granting the share-subscribing regions and enterprises with a favored-treatment policy embodying a definite "priority right of usage," to ensure that the stock-controlling corporation has sufficient power to attract funds from outside the budget. But whether or not a special favored policy should be granted should be governed by the assessment target of the national economy.

(4) While the state stock-controlling corporation is representative of the state's interests, it is also a relatively independent economic entity. The share dividends it earns should be delivered to state finance at a definite ratio and the remaining portion should be treated as the corporation's development funds; the stock-controlling corporation is at the same time shareholder of the enterprises in which it has invested, but the enterprises themselves have independent power to do business.

(5) The foregoing principles are also applicable to the organization of stock-holding companies by the localities.

4. Employing the method of sedimentation of funds to cut down the demand scale and to create conditions for readjusting the structure.

(1) Speedily promulgating an assortment of programs and enforcement steps of reform of the housing system, sedimentation of funds, and reduction of the demand

scale. We should, as soon as possible, push reform of the housing system in large- and medium-sized cities and towns, and actively guide the urban residents' consumption plans and anticipations, guiding them to consciously cut down ordinary consumption and impulsive consumption, readjust their consumption structure, and use the savings on current purchases of residences and on future purchases of new houses. The state and the enterprises should put on sale the great portion of their old houses and dwellings, the funds realized from the sales should be entirely frozen.

(2) Trying out the selling of the share rights of a portion of the state-owned enterprises.

To sell the share rights of a portion of the state-owned enterprises is also a good method of sedimenting funds and cutting down demand. There should be adequate preparations for this program and should be put on the stage with steady steps. In the near future, we can only consider a small number of enterprises, the conditions of which are mature, for the purpose and try out the selling of 50 percent of the share rights thereon and accumulate the necessary experiences. The whole of the funds thus absorbed should be delivered to the national finances and be temporarily frozen.

5. Setting up and perfecting the essential elements' market and improving the allocation of resources.

It is necessary to gradually set up coordination between the capital market, labor market, and technology market so as to smooth out the channel for the rational circulation of the essential elements. Utilize the various kinds of economic parameters to affect and influence the acts of the enterprises and workers, promote and facilitate enthusiastic and orderly competition throughout the entire society. The high-quality labor organs inside the enterprises should be expanded to society, promote the rational flow of, and competition among, talented personnel, and by means of competition raise the quality of the labor force as a whole. Simultaneously with speeding up the reform of the operational mechanism of the enterprises, we should set up and improve the stockholding system, and expand the scope of enforcement of the stock and share system. We should develop the merging of enterprises, encourage those enterprises with good economic benefits to merge with those enterprises with poor economic benefits, make use of the readjustment of the existing volume of funds and labor force to promote the readjustment of the industrial structure and push the enhancement of the macroeconomic benefits.

Article Views Personal Shareholdings

HK0902143089 Beijing JINGJI YANJIU in Chinese
No 12, 20 Dec 88 pp 36-37

[Article by Cai Jianhe (5591 1696 0735) of the Economic Research Office of Changde City, Hunan Province, written in September 1988: "The Question of Personal Shareholdings in China's Shareholding Economy"]

[Text] Personal shareholdings refers to shareholdings which are purchased by urban or rural residents of our

country with private funds. As compared with state shareholdings and enterprise shareholdings, they have new characteristics and special roles. The first of these is that such shareholdings are scattered, which is beneficial to promoting the pluralization of the shareholding rights in state-owned enterprises. The development of the modern international shareholding economy has seen a change from where shareholding enterprises were mainly controlled by shareholders to shareholding enterprises which are mainly controlled by a managerial department, and property rights have gone from being quite centralized to being highly dispersed. Thus, no shareholder holds a sufficient volume of shares to allow them to have control over the company. The shareholders exercise indirect restriction on the operators through the purchase and sale of shares, preventing the operators from abusing power or engaging in irresponsible actions. At the same time, this forms a strong interests-conditioning relationship between the owners, thereby preventing the owners from interfering too much with the operators, and guaranteeing that the operational strata has decisionmaking power regarding operational decisions. Based on international experiences, our country's target model for the implementation of a shareholding system in state-owned enterprises should have very dispersed equity. The dispersed nature of personal shareholdings matches up quite well with the trend of development of a shareholding system for our country's state-owned enterprises. Its dispersed nature is mainly manifested in two aspects: First, the share purchasers are dispersed and the residents of every city and village in our country will be able to become shareholders. Second, purchases can be dispersed. These individuals with great economic power will be able to purchase shares in many companies, thus spreading and reducing their risks. The second characteristic of personal shareholdings is their fluidity. This is beneficial to the formation of firm restrictions on the operators. In general, a personal shareholding is quite small and, at any time, such shareholdings may, following changes in the stock market, move from enterprises with poor results to enterprises with good results. Although the flow of the shares of an individual shareholder will not greatly affect the operators, shareholders will, without any contact between themselves, link up and "vote" through the market, thereby restraining the operators. When everyone is unhappy with the incumbent managers or the operational situation of a company and sells off their shares, the share price will fall. The company will then face a series of difficulties and crises, which may lead to bankruptcy and liquidation. The third characteristic of this system is the transparency of the equity. This is beneficial to the formation of a flesh-and-blood relationship between the workers and the enterprises, and in strengthening the staff and workers' sense of being masters. Personal shareholdings are more human than state shareholdings or enterprise shareholdings and a personal shareholder will be more concerned about the earnings of shares than will a state shareholder or an enterprise

shareholder. When an individual buys shares in an enterprise, the interests of that individual become tightly linked with the rise or decline of that enterprise.

Apart from the above points, the development of personal shareholdings at the present stage has wider social significance. It will be able to draw in funds in society and alleviate the present contradiction whereby our country is seriously short of funds. It will also allow the long-term channelling of accumulated funds and cash on hand away from the consumption field and into the production field. This will check the inflation of consumption demand, stabilize the value of money, stabilize the markets and, in the reform of prices, will eliminate the worry that residents' accumulated funds and cash on hand will deal heavy blows to the market. A shareholding is an investment accompanied by risk. The development of personal shareholdings will be able to directly get the masses' funds swirling in market competition and will cause people to constantly feel keen sense of crisis. This will be beneficial to transforming the psychological factors of traditional culture among the people of our country, eliminating the inert mentality of seeking an easy life and fearing risks and will foster a national temperament which comprises ability and efficiency, no fear of risk and a desire to rouse oneself and forge ahead.

The Avenues for Stimulating the Development of Personal Shareholdings in Our Country at the Present Stage

Our country is a developing country with a low level of income. The share purchasing power of the residents cannot be anywhere near as strong as that in developed countries or almost developed countries. However, there is still vast scope for development. At present, the accumulated funds and cash on hand of urban and rural residents is 470 billion yuan. If half of this were transferred into shares, that would be equivalent to the total amount of annual fixed asset investment in whole-people ownership units at present, and would constitute about 20 percent of the fixed assets of whole-people ownership enterprises in our country at present. Following the development of the commodity economy, the income of the people of our country will continue to rise. Only if policies provide appropriate guidance will people come to feel that the purchase of shares will provide opportunity for gain. Only thus will there be a natural change in ideas and will they put more money into the purchase of shares. However, a long period of nonmarket economic activity has produced a situation where the investment consciousness, risk consciousness and even the financial capacity to take on risks of our country's residents are extremely weak and limited. Added to this is the fact that at the present stage our country's market economy is not complete and the free flow of shares is subject to certain restrictions. Thus, major difficulties exist in the development of personal shareholdings. If individual risk is not reduced in the process of developing a shareholding system, if the appeal of shares is not raised and if the shares are spread out using administrative measures,

then it will be difficult to develop individual shareholdings throughout the whole society. Thus, it is necessary to accord with the principles of proceeding in an orderly way, gradually standardizing procedures, improving preferential terms and reducing risks, and then to positively and appropriately develop personal shareholdings.

1. Shares in some fairly stable state-owned enterprises, especially in some of the large- and medium-size enterprises should be sold. Such enterprises have strong economic power and their economic results are dependable. Among the people, confidence in them is quite high and the issue of shares in such enterprises will be very appealing to the people. However, in general, the larger the enterprise and the better its economic results, the easier it is for it to get bank credit. Thus, the enthusiasm of such enterprises for issuing shares will probably not be very high. Therefore, the state could separate a certain proportion of state-owned fixed assets in these enterprises and issue shares in these to the public. In the future, when enterprises are established or engage in technical transformation, the state could reduce the proportions of investment and bank credit and thereby force the enterprises to issue shares to the public in order to raise funds.

2. A system whereby staff and workers of enterprises can buy shares in their enterprise should be instituted. That is to say, every enterprise should issue shares to its staff and workers, so that each worker and staff member will have a dual status as shareholder and production operator and there will be a certain degree of linkage between ownership and operating rights. In specific implementation, there could be a division between basic shares and floating shares. The basic shares will be distributed on a per capita basis and the staff will have to buy these. Purchase of the shares will be one of the qualifying conditions for working in the enterprise and they will have a certain compulsory nature. The floating shares will be purchased on a voluntary basis. In addition, there could also be established watered stock for the company, for use as rewards for those staff and workers who have made outstanding contributions to production operations. This will replace direct rewards of cash and material goods. This watered stock of the enterprises will not be able to be inherited and will not be able to be bought or sold, and when a worker leaves the enterprise, such equity rights will be automatically cancelled. Thus, as far as the staff and workers who receive such rewards are concerned, they will be both a material reward and an symbol of honor. Compared to cash and material goods, they will be better able to stimulate a consciousness of participation among the staff and workers.

3. Developing an organ agency system. For individuals, direct participation in the buying and selling of shares involves high costs and large risks. Added to this is the fact that at present in our country the capacity of residents to purchase large volumes of shares is limited. Thus, there is a need to develop an organ agency system. What is meant by an organ agency system is that an

organization with a certain power in terms of funds, such as an insurance company, the offices of various types of foundations and pension funds will themselves organize various individual small shareholdings and purchasing shares in a large number of companies and a large numbers of shares, of which each of the individual shareholders will have a share. Both the individual shareholders and the organ holding the shares will enjoy the rights of shareholders to receive dividends. However, the shareholders will only have a relationship with the organ that holds the shares and this organ will calculate dividends on the basis of the amount of shares held by each individual. The organ holding the shares will also be able to take a small handling charge from the dividends.

4. Personal shareholding insurance should be started. An analysis of the present attitude of the residents of our country toward shares shows that most people are caught in the contradiction of wanting to buy but not daring to buy. They want to buy as they feel that shares are more worthwhile than deposits in the bank. However, they are afraid of buying because the risk of shares is great and if one does not handle shares well, not only will no money be made, but losses will be incurred. This is a mentality

which is extremely disadvantageous to the development of personal shareholdings. Thus, there is a great need to start up a personal shareholding insurance business. This will guarantee that the price the shares are sold at is not lower than the purchase price at the time. As far as the insurance companies are concerned, the starting up of personal shareholding insurance provides an opportunity for gain as, calculated overall, profit-making enterprises outnumber loss-making enterprises. Thus, the majority of shares can only rise in value.

5. A stock exchange market should be established quickly, so as to facilitate the flow of personal shareholdings.

Correction to Li Peng on Reform, Economy
OW1002015389

The following correction pertains to the item headlined "Premier on Reform, Improving Economic Environment" published in the 6 February China DAILY REPORT, page 31, column two: paragraph one, line two: ...the Economy Cadres on 1 February, Premier Li Peng... (changing month "January" to "February")

East Region

Lu Rongjing Attends Anhui New Year Meeting

OW0902044889 Hefei Anhui Provincial Service
in Mandarin 1100 GMT 4 Feb 89

[Excerpt] The responsible comrades of the party, government, and military in Anhui Province and Hefei City met at the conference room of the Naner Building of the provincial CPC committee yesterday afternoon. They took the opportunity to renew their friendship and talked about the reform. A warm atmosphere of unity between the Army and the government and between the Army and the people prevailed in the conference room.

The forum of responsible comrades of the party, government, and Army was jointly sponsored by the Anhui Provincial CPC Committee and the provincial people's government.

The responsible comrades of the party, government, and Army in the province and the city who attended the forum included: Lu Rongjing, Wang Guangyu, Shi Junjie, Fu Xishou, Meng Fulin, Yang Yongliang, Liu Guangcai, Niu Xiaomei, Zhao Baoxing, Wang Shenjun, Shi Lei, Shao Ming, Hou Yong, Su Hua, Zheng Rui, Long Nian, Wang Sheyun, Wu Changqi, Du Yijin, Zhang Runxia, (Zhang Junbao), (Xi Jeqing), (Wei Jin), (Chen Shenlin), (Sui Mingtai), (Qu Banghan), (Li Mingjun), (Zhao Huaishou), Chen Guanglin, and Zhong Yongshan.

Comrade Fu Xishou presided over the meeting. On behalf of the provincial party committee and government, he wished a Happy New Year to the responsible comrades of the PLA units stationed in the province who attended the meeting, and, through them, to the broad masses of the officers and men of the PLA and the Chinese People's Armed Police Force stationed in the province. He wished them a happy Spring Festival and good health. He thanked the broad masses of the officers and men of the PLA and the Chinese People's Armed Police Force stationed in the province for promoting the glorious tradition of supporting the government and loving the people, and the unselfish help and support they gave to the construction and reform in the province. He hoped that in the new year, the unity between the military and government and between the military and the people will be further strengthened, the principle of improving the economic environment and rectifying the economic order as adopted by the CPC Central Committee will be further implemented, and all the work in Anhui will be done even better. [passage omitted]

Anhui Secretary Visits Police on New Year's Eve

OW0902080889 Hefei Anhui Provincial Service
in Mandarin 1100 GMT 6 Feb 89

[Excerpt] On the morning of 5 February, Lu Rongjing, secretary of the provincial party committee and governor; Meng Fulin and Yang Yongliang, deputy secretaries of the provincial party committee; (Wang Zhenjing),

member of the Standing Committee of the provincial party committee, secretary of the Commission of Political Science and Law, and director of the Public Security Department; (Qi Banghan), deputy director of the Public Security Department and political commissar of the provincial Armed Police Corps; (Chen Ruilin), director of the Judicial Department; and Chen Guanglin, secretary of the Hefei City party committee; Hefei City Mayor Zhong Yongshan; and other leaders concerned, 12 persons in all, drove to the six grass-roots stations or brigades under the Hefei City Public Security Bureau and extended warm greetings to the policemen on duty.

After hearing a briefing by (Zhou Yanwen), director of the city Public Security Bureau, on security measures for the holidays, Comrade Lu Rongjing said: Under the current grim situation of public order, policemen are faced with even more arduous tasks. Public order in the province and Hefei City is relatively stable. In particular, the police have demonstrated a rather good understanding of the policy of handling a number of major cases concerning public security. On behalf of the provincial party committee, government, and the 52 million people of the province, I would like to thank you for your hard work and extend New Year's greetings to all policemen. [passage omitted]

Fujian's Chen Guangyi Visits Sanming City

OW1002025789 Fuzhou FUJIAN RIBAO in Chinese
24 Jan 89 p 1

[Text] Yong'an, 22 Jan—At the beginning of the Western calendar year and prior to the end of the outgoing Year of the Dragon, Chen Guangyi, secretary of the provincial party committee, came to Sanming City to check on the implementation of the guidelines of the 3d Plenary Session of the 13th CPC Central Committee, inspect the development of the forest area, and visit with cadres and masses from all walks of life working diligently at the grass roots for the "two civilizations."

Accompanying Chen Guangyi on this tour were leaders of the general office of the provincial party committee, the provincial planning commission, the provincial forestry department, and the provincial department of water resources and electricity, along with comrades from the organization department of the provincial party committee. Zhou Houwen, secretary of the Sanming City CPC Committee, also went along.

This morning, braving the rain, Chen Guangyi and his party arrived at the Yong'an Mining Bureau. Since it was contracted out in 1985, the bureau has pushed ahead with various tasks and now ranks first in the industry in the province in more than 10 projects, including the standardization of mining shafts. Last year, its total coal output exceeded the 1 million metric ton mark. Arriving at the Fenghai shaft, Chen Guangyi, dressed like a miner, excitedly entered the shaft, which is more than 2,100 meters deep. Down there the air is full of mist, and bone-chilling winds whirl around the crisscrossed passageways. Chen

Guangyi shook hands with each and every miner there, inquiring about their work and living conditions and thanking them for their contributions. Chen Guangyi said: Workers in the coal industry, coping with poor working conditions and heavy workloads, overfulfilled last year's production quota. The Yong'an Mining Bureau was the first to break the 1 million metric ton mark for a year. Today, I came here with a three-fold purpose. First, I would like to congratulate coal workers throughout the province for a job well done in the last year. Second, as the Spring Festival is just around the corner, I would like to extend early Lunar New Year greetings to you all. Last but not least, I hope that coal workers throughout the province will do an even better job in the new year. He told Yue Bingshan, the general manager of the provincial coal corporation, that coal leaders at all localities, while promoting production, must also pay great attention to operational safety, take good care of workers' living conditions, and foster the development of spiritual civilization. He asked local party and government leaders to pay attention to coal production and miners' living conditions. When Xin Shimin, deputy director of the provincial planning commission, ignited firecrackers, workers at the mine were all very excited and mine leaders pledged to do a better job and not to fail the expectations of the leader of the provincial party committee and the people in the province.

For days, Chen Guangyi traveled through the counties of Youxi, Shaxian, Datian, and Yong'an, touring tree farms, crop fields, forestry research units, workshops of rural enterprises, and military camps. He visited schools, shops, marketplaces, and hospitals. He also visited farmers' chicken coops, pigpens, and mushroom sheds. He stayed at farmers' houses and dormitories of lumberjacks and coal miners to get an understanding of their living and work conditions and problems and encourage them to further carry out the guidelines of the 3d Plenary Session of the 13th CPC Central Committee and do a better job. In Youxi County, Chen Guangyi talked with Ruan Fucheng, a senior forestry engineer, and Yao Wenbiao, president of the county hospital, and was very delighted to learn that the county was working hard to provide favorable working conditions for the intellectuals. He asked the county to draw up policies encouraging intellectuals to stay and put down roots in the mountain area. In Shaxian County, Chen Guangyi paid a visit to a military unit stationed there. He asked leaders of the city and county to care for the troops and work closely with the military in their joint construction activities.

This afternoon, Chen Guangyi and his party left Yong'an City to visit residents in old liberated areas of Ninghua, Qingliu, and Mingxi.

Fujian Measures To Strengthen Supervision Noted
OW0902080989 Fuzhou Fujian Provincial Service
in Mandarin 1100 GMT 2 Feb 89

[Text] To strengthen administrative supervision in provincial government departments, enterprises, and institutions and promote economic prosperity and honesty in government, the work of organizing and establishing government

supervision organs at the provincial, prefectural, and county level has basically been completed after more than a year's efforts. During the organization and establishment work, the provincial supervision departments provided level-to-level guidance and sent personnel to nine prefectures and cities as well as a number of counties and districts to supervise the organization and establishment work. Meanwhile, governments at all levels also selected professional cadres who were inclined toward reform and openness, skilled in economic work, and well-versed in laws to occupy the supervisory positions.

At present, some 90 supervisory organs have been set up at the provincial, prefectural, and county levels. These have been filled with 793 persons, of whom 39 percent are college trained, and an overwhelming majority are party or CYL members. Many cities and counties have also established positions for both full-time and part-time supervisors.

Recently, the provincial government approved and disseminated a report by the provincial supervisory department on the establishment of administrative supervisory organs in various departments, enterprises, and other units directly subordinate to the provincial government. It has also decided to establish accounting and cashier supervision offices in 30 departments and units directly subordinate to the provincial government and supervision offices in 13 other departments and units to strengthen supervision over government integrity and honesty.

Jiangsu Governor Inspects Market Supplies
OW0902122889 Nanjing XINHUA RIBAO in Chinese
27 Jan 89 p 1

[By reporter Zheng Cuihua]

[Excerpts] "Thank you, hard working commercial workers! Thank you, their family members! Your efforts and contributions to stabilize and enrich the holiday market are greatly appreciated by the provincial party committee and the government!" So said an emotional provincial Governor Gu Xiulian again and again while she was shaking hands with sales personnel at emporiums and marketplaces during an inspection tour yesterday afternoon in Nanjing City to check market supplies for Spring Festival. [passage omitted]

While listening with great interest to reports from a store general manager and He Dafen, deputy chief of the First Commerce Bureau, Gu Xiulian brought up a sensitive issue: "Now that farmers sell more grains, more industrial goods should be made available to rural areas. Have any of you thought about providing some badly needed products to farmers?" He Dafen replied immediately: "Sure, sure. Besides what was already planned, we specially set aside for the five counties under our jurisdiction 10 metric tons of knitting wool, 50 metric tons of laundry powder, 10,000 pieces of cotton and wool clothing, 10,000 enamel washbasins, and 10,000 thermos bottles." [passage omitted]

It was obvious that Gu Xiulian was satisfied with the market supplies for Spring Festival in Nanjing City and was well aware of the hardships and difficulties experienced by commercial workers.

Jiang, Zhu Visit Shanghai Security Bureau
OW1002025589 Shanghai City Service in Mandarin
2300 GMT 7 Feb 89

[Text] Jiang Zemin, member of the Political Bureau of the CPC Central Committee and secretary of the Shanghai Municipal CPC Committee, and Zhu Rongji, deputy secretary of the Shanghai municipal party committee and mayor of Shanghai, separately visited the garrison department of the municipal Public Security Bureau on 6 and 7 February to extend regards and New Year greetings to the garrison personnel on duty during the Spring Festival holidays.

On 7 February, in the afternoon, Mayor Zhu Rongji watched a new opera performance at the Kun Opera Theater in Shanghai. Many people braved the rain to watch the performance.

When the performance ended, Zhu Rongji, (Chen Zhili), (Chen Yi), and (Yi Duanfei) mounted the stage to extend regards and festival greetings to the performers.

Zhejiang's Li Zemin Stresses Supervisory Work
OW1002060789 Hangzhou ZHEJIANG RIBAO
in Chinese 27 Jan 89 p 1

[Dispatch by Shen Jianban]

[Text] Li Zemin, secretary of the Zhejiang Provincial CPC Committee, pointed out at the first provincial supervisory work meeting yesterday: "Supervisory work should play an important role in ensuring high standards of ethical integrity in the government. Party committees and governments at all levels should fully support the work of the supervisory departments and be their powerful backing."

The administrative supervisory organs in Zhejiang Province were formally organized in March 1988. The supervisory organs at various levels have since adhered to the principle of "starting work in the course of the organization," actively performed their administrative supervisory functions and powers, and done administrative supervisory work, focused upon ensuring high standards of ethical integrity among government functionaries. They have worked in cooperation with other departments concerned in checking economic contracts concerning foreigners and prevented economic losses. They have investigated and handled 433 cases of embezzlement, bribery, dereliction of duty, and violation of administrative orders, in which 137 people were given administrative disciplinary actions and 23 people were turned over to judicial organs for legal action. In 1988, the supervisory organs handled 11,692 complaints voiced by the people in letters or during visits to the

supervisory organs, and wound up 1,084 cases. Supervisory investigation centers have been set up in Ningbo, Wenzhou, and Hangzhou. Since their establishment 3 months ago, they have handled 1,125 cases reported by the people. At the same time, the supervisory organs have assigned some of their personnel to take part in the "three-screening, two-investigation, and one-control" work organized by the government, in support of the work of improving the economic environment and rectifying economic order.

Li Zemin fully affirmed the work of the supervisory departments in Zhejiang Province. On the main supervisory work tasks in the new period, he said: Supervisory work should play an important role in ensuring high standards of ethical integrity among government functionaries. During a recent discussion on how to ensure high standards of ethical integrity among cadres, the Secretariat of the party Central Committee made a comprehensive, objective, and realistic appraisal of the ethical integrity situation of our party and government organs. Its appraisal also conforms to the reality in this province. We should see that our party and government organs are, in the main, clean, and the majority of our party and government cadres are honest and law-abiding. We should also see that corruption does exist in our party and government organs, and there are indeed a small number of people who, unable to stand the test of reform, opening up to the outside world, and holding office, embezzle public funds, take bribes, abuse power to blackmail, and squander. Although they are small in number, they cause extreme harm. The corrupt phenomenon has made inroads on the body of our party, and hurt the image of our party and government among the people, as well as the reputation of the reform and open door policy. The people bitterly resent it. Whether these problems can be seriously solved is indeed an important matter, determining whether we can win the people's support and whether our reform and opening up to the outside world will succeed or fail. At the national supervisory work conference held not long ago, central leading comrades pointed out unequivocally: The supervisory organs at various levels have an especially important role to play in ensuring high standards of ethical integrity among cadres and in the anticorruption struggle. In the latter, the supervisory departments should do a good job in ensuring high standards of ethical integrity in party and state organs, with emphasis on cracking embezzlement and bribery cases. In the course of improving the economic environment and rectifying current economic order, supervisory departments at all levels should also pay more attention to supervising law enforcement to ensure the implementation of government orders. It is necessary to exercise effective supervision over such law violating phenomena as each taking the law into his own hands, disobeying orders, and defying prohibitions. Serious violators should be subject to investigation and administrative disciplinary action. Li Zemin said: Party committees and governments at all levels should attach great importance to supervisory work; familiarize themselves with the tasks, character, and work of supervisory organs; fully understand the importance and role of supervisory work in

the new period; and conscientiously promote the work. Party committees and governments should fully support the work of the supervisory departments, support them in handling cases according to law and in strictly enforcing the law, and be their powerful backing.

Zhejiang Governor Attends Militia Meeting
OW0902013289 Hangzhou ZHEJIANG RIBAO
in Chinese 26 Jan 89 P 1

[Text] The People's Armed Force Committee of the Zhejiang Provincial CPC Committee held its first plenary meeting of this year on the morning of 25 January. Shen Zulun, chairman of the provincial people's armed force committee and governor of Zhejiang Province, presided over, and spoke at, the meeting. Xu Yongqing, political commissar of the provincial military district and vice chairman of the provincial people's armed force committee, spoke on the people's armed force's work in the province in the last year and its tasks in the new year. Those attending the meeting included Li Qing and Yang Shijie, both vice chairmen of the provincial people's armed force committee, and responsible comrades of departments concerned of the provincial party committee, the provincial government, and the provincial military district, including Xia Zhonglie, Wang Hongyi, Sun Changming, Zhu Xiaochu, and Li Mianshan.

The meeting pointed out: Zhejiang did a good job in militia and reserve service work in 1988. We have made new development in building our reserve force, and new contributions to promoting material and spiritual civilizations in various localities. In the new year, people's armed force work should be carried out in the spirit of the 3d Plenary Session of the 13th CPC Committee, and should be closely integrated with local economic development. We should ensure that reform projects of militia and reserve service work are properly carried out, and that necessary measures are taken to support the accomplishment of these projects. We should attend to the key issues of the work, ensure that the work is carried out in a well-coordinated way, improve the overall results, and work hard to make new contributions to accelerating the province's economic development and reserve force building.

Shen Zulun fully approved the achievements in the province's people armed force work in the past few years, and praised the important contributions the vast numbers of militiamen and reserve force personnel have made in local construction and in rescuing people's lives and property in danger. He pointed out: Currently, the major task in people's armed force work is to fully carry out the central authorities' policies and measures to improve the economic environment, to rectify economic order, and to deepen reform. Through conducting education in the current situation, we should unify the thinking of the vast numbers of people's armed force cadres, militiamen, and reserve force personnel on the basis of the spirit of the 3d Plenary Session of the 13th CPC Central Committee. We should educate them, at

their individual posts, to actively support and voluntarily take part in local efforts to improve the economic environment and rectify economic order, and educate them to subject themselves to the interests of the whole, overcome difficulties, and work hand in hand to tide over the difficult situation.

Shen Zulun said: We should regard national defense education as a long-term task in ideological building, and continually and firmly attend to it over 10 or 20 years. He instructed party schools at all levels, colleges, and primary and secondary schools to include national defense education in their curricula in order that national defense education will gradually be socialized, institutionalized, and systematized; that it will take deep root in the minds of the masses; and that a good atmosphere throughout society showing concern for, and supporting, national defense building will be formed. Shen Zulun said: We must adhere to the guiding thought of integrating militia and reserve service work with promoting material and spiritual civilizations, and the work must be carried out simultaneously with localities' efforts to reform the economic and political systems. Moreover, readjustment and reform of militia and reserve service work should be constantly deepened. We should strengthen the important links with the coastal defense militia force; put urban militia work under the economic management system; further improve the militia force's organization, training, armament, restructuring, and reforms; improve the quality of militia force training, and improve the distribution of militia force weapons and tighten control over them. We should strive to achieve the sixth consecutive year of security in Zhejiang Province, continue to strengthen and improve the province's reserve force, promote experience in reforming conscription work, and gradually institutionalize conscription work in order to provide high-quality soldiers for the armed forces. We should also make efforts to develop the people's armed force department, study ways to solve problems concerning readjustment and interflow of the people's armed force cadres, vigorously promote activities supporting the armed force through labor, and take all possible measures to reduce the burden of localities and the masses, to continually improve the overall results of people's armed force work, and to enhance the people's armed force's self-development ability.

Shen Zulun stressed: We are currently in a relatively peaceful time, and the international situation is continuing to develop in the direction of detente. However, tension and turbulence still exist. Zhejiang is on the frontline of coastal defense, shouldering important combat tasks, and therefore we should always be ready to cope with local and unexpected incidents. Leaders at all levels must keep sober heads, and strive to strengthen the reserve force for national defense. In particular, people's armed force committees at all levels should strengthen their leadership over militia and reserve service work, and actively organize and coordinate concerned departments and mass organizations to enable them to support the province's people's armed force work at their individual posts.

At the meeting, Xu Yongqing gave an account of the province's people's armed force work situation in the last year and its tasks in the new year. He urged military organizations and the people's armed force departments at all levels in Zhejiang to actively and voluntarily serve as advisers to their respective local party committee and government, and strive to make contributions to developing the province's economy and reserve force.

The meeting discussed and laid plans for the tasks of the province's people's armed force; studied measures and opinions on accomplishing this year's tasks; and made decisions on the readjustment and interflow of people's armed force cadres at the county (city or district) level, on building people's armed force contingents at the grass-roots level, on preparations for setting up people's armed force cadres schools, on continuing the work of building militia armament warehouses and training bases, and on other major issues concerning people's armed force development in the province.

Private Enterprise Spreading in Zhejiang
OW0902075589 Beijing XINHUA in English
0659 GMT 9 Feb 89

[Text] Hangzhou, February 9 (XINHUA)—The number of privately-owned enterprises in China's Zhejiang Province grew rapidly last year.

By the end of 1988, there were more than 2,250 private businesses registered in Zhejiang, according to officials of the provincial administration for industry and commerce.

But officials said that the actual number is much higher since many private enterprises, previously registered as collectively-owned companies, have not yet changed their status.

Private enterprises throughout China were officially given the go-ahead to operate last year after the State Council, the highest governing body in China, issued regulations covering such businesses.

Most of the Zhejiang private enterprises are in coastal towns and in rural areas. Incomplete figures show that they have combined assets of 125 million yuan and employ about 30,000 workers. The average is 10 workers for each private enterprise.

The biggest of the private enterprises is a factory in Xiangshan County which makes fittings of television sets. It has fixed assets of more than 1.5 million yuan and employs 250 workers. It has an annual output of seven million yuan.

"The private sector, which supplements the state and collective sectors, has promoted production and enlivened the market," said Cao Tiandian, director of the Zhejiang Administration for Industry and Commerce.

Forty percent of the 250 private factories in Xiaoshan City make spare parts for state and collective factories.

A private factory in Fuyang County is now a well-known water sports equipment manufacturer. This is largely because its equipment is often used by Chinese sportsmen in national and international events.

Central-South Region

Bonded Processing Area Planned for Zhuhai
HK0902133789 Beijing CEI Database in English
9 Feb 89

[Text] Guangzhou (CEI)—A closed bonded processing area will be built at Maoshengwei in Zhuhai City, Guangdong Province.

Maoshengwei, located at the southern tip of Zhuhai, faces Macao across a river with a total area of 25.68 hectares.

Foreign funds will be used for the construction of the new processing area. All the foreign-invested enterprises to be built there are required to be highly efficient light industrial projects with low energy consumption, no pollution and using advanced technology. They will engage in production of exported goods.

Administration of the new processing area will be simple and efficient and more preferential economic policies than the Zhuhai Special Economic Zone will be adopted.

Academics Call for Free Economy in Hainan
HK1002035789 Hong Kong ZHONGGUO TONGXUN
SHE in Chinese 1122 GMT 4 Feb 89

[Commentary by Luo Tian (5012 3944): "Build Hainan into a 'Free Island'?"—ZHONGGUO TONGXUN SHE headline]

[Text] In Hainan, from time to time people hear speculation that the Chinese central authorities are planning to build the entire Hainan island into a free port or quasi-free port. Nevertheless the government has only disclosed the plan of opening Yanpu port as a "free port," and no further information about the "free island" proposal has been reported.

Rumor about this proposal had been spread long ago when preparations for the founding of Hainan Province were under way. The policies on Hainan officially announced after the founding of the province were quite unlike those for a "free port." So the discussion about the "free port" proposal subsided for a while. However, since the latter half of last year, in exploring the road of development for Hainan, some scholars have become interested in the "free port" proposal again since the plan to attract foreign investment has not been working satisfactorily in the province.

Last October, Zhong Yechang, a 27-year-old deputy to the Hainan Provincial People's Congress [as received] and a lecturer in the Department of Economics at the University of Hainan, submitted a several-thousand character article to a theoretical symposium on the 10 years of reform held in Beijing, putting forth a comprehensive tentative plan on the development of Hainan as a "free economic zone." He pointed out: According to Deng Xiaoping's idea of "building several Hong Kong's in the mainland" and his principle of "common development," special policies and a brand-new special structure could be introduced in Hainan island, a "golden triangle" with Hong Kong, Taiwan, and Hainan as its mainstays can be built up and be developed into China's "pan-South China Sea free economic zone" to serve as a "juncture" linking Mainland China and the Asian-Pacific region and to help the country take up the challenge of the "Pacific century." Zhong later published two articles, entitled "Developing Non-State-Owned Enterprises—the Main Trend of Economic Reform in Hainan" and "The Integration of Taiwan's Economy," vigorously calling for building the Hainan special economic zone into a "free island" or a "free economic zone."

By the way, a total of 3.6 billion yuan has been invested in Hainan since the founding of the province, and the amount of foreign funds that has actually been invested there totaled only somewhat more than \$80 million. In running the Hainan large special economic zone program, the authorities originally expected a great influx of foreign capital. But now foreign investors have shown little interest in the project despite all preparations made at home. This fact has shown that if Hainan Province wants to introduce foreign funds, its structural and policy design must be definitely geared to international capital. It would be a mere illusion if one believed that foreign funds would flow in so long as the local infrastructure was improved.

If the Chinese Government really wants to let Hainan Province operate and develop along the track of a free economy, this decision will not only be a major turning point in the history of Hainan but also a great breakthrough in China's political and economic reform. The significance of such a development would be immeasurable.

But, after all, no hasty action should be taken in this regard. Everything should be well planned before any action is taken lest there should be frequent policy changes or setbacks in future development. Extensive investigations and conscientious studies are necessary before a complete set of policies is drawn up.

Southwest Region

Sichuan's Yang Rudai Praises CPPCC Work
HK0902035889 Chengdu SICHUAN RIBAO in Chinese
25 Jan 89 p 1

[Report: "Comrade Yang Rudai Highly Praises Provincial CPPCC's Achievements and Important Role in Political Life"]

[Text] At the Third Plenum of the Second Session of the Sixth Sichuan Provincial CPPCC, which was held on 23 January, Comrade Yang Rudai, secretary of the Sichuan

Provincial CPC Committee, highly praised the achievements made by the Sichuan Provincial CPPCC and the important role played by the Sichuan Provincial CPPCC in the political life of Sichuan Province. Comrade Yang Rudai pointed out that under the leadership of the Sichuan Provincial CPC Committee and the CPC committees at various levels in Sichuan Province, the Sichuan Provincial CPPCC has already opened up new vistas for its own work. This can be seen in the following aspects:

—The CPPCC organizations at various levels in Sichuan Province have developed and expanded at a rapid pace and have rallied more and more people around them over the past year. Now Sichuan Province has some 225 CPPCC organizations at provincial, city, prefectural, and county (district) levels. With the exception of Chongqing City and three districts of Panzhihua City, all the administrative districts at and above county level in Sichuan Province have established their own CPPCC organizations. Before the Cultural Revolution, Sichuan Province had a total of only 133 CPPCC organizations. Now Sichuan Province has a total of 225 CPPCC organizations. The CPPCC organizations at various levels in Sichuan Province now have more than 40,000 members, an increase of over 200 percent compared with the number of members the CPPCC organizations at various levels in Sichuan Province had before the Cultural revolution, a number recorded at 11,000. Moreover, notable changes have also taken place in the structure of the CPPCC membership. Now, the non-CPC CPPCC members account for the majority of the CPPCC members in Sichuan Province. The proportion of intellectuals among the CPPCC members has also witnessed a rapid increase. Now the CPPCC organizations at various levels in Sichuan Province have also recruited several young people who have made outstanding contributions to the building of the four modernizations in Sichuan Province. Over the past year, people of all nationalities, personages from various democratic parties, people from various people's organizations, Taiwan compatriots who have settled down on the mainland, relatives of Taiwan compatriots, relatives of the Overseas Chinese, former Kuomintang [KMT] personnel who crossed over to the side of the people, descendants of well-known historical figures, representatives of specialized peasant households, individual business operators, Hong Kong compatriots of Sichuan origin, and some other personages have also been admitted into the CPPCC organizations at various levels in Sichuan Province, which represent the patriotic united front in Sichuan Province. Now the Sichuan Provincial CPPCC, the various democratic parties, and the various people's organizations in Sichuan Province have rallied nearly 10 million people around them.

—The CPPCC organizations at various levels in Sichuan Province have actively participated in the government work and in the discussion of public affairs and have effectively played their role in the political consultation

and democratic supervision over the past year. By following the principle of "long-term coexistence and mutual supervision" and the principle of "showing utter devotion to each other and sharing honor and disgrace with each other," holding numerous meetings and attending various meetings, the CPPCC organizations at various levels in Sichuan Province have participated in the discussion and consultation on major issues concerning political, economic, and social development of Sichuan Province; concerning the national economic development plan and social development plan, draft local laws and regulations, and major personnel changes in the provincial People's Congress, provincial people's government, and provincial CPPCC; and concerning some issues that have an important bearing on people's daily life and the provincial united front work. Moreover, the CPPCC organizations at various levels in Sichuan Province have also put forward valuable criticisms and suggestions with a view to improving the work style of the party and government organs and heightening the ideological consciousness of the personnel of the party and government organs through such channels as the CPPCC members' motions, the investigation reports written by the CPPCC members, and so on, thus effectively playing their role in democratic supervision.

- The CPPCC organizations at various levels in Sichuan Province have also made every possible endeavor to give full play to the talents and skills of all types of qualified personnel, thus enabling all types of qualified personnel to make their contributions to the building of the socialist spiritual civilization and the socialist material civilization in Sichuan Province. The CPPCC organizations at various levels in Sichuan Province have also helped to closely combine the provincial united front work with the provincial economic work. They have carried out social investigations, held symposiums, and conducted scientific demonstrations on not a few topics with a view to promoting the economic construction of Sichuan Province and have already achieved gratifying results in this connection. They have put forward valuable views and suggestions with a view to accelerating the process of helping the old liberated areas, the areas inhabited by ethnic minorities, and border areas to shake off their poverty, accelerating the building of key water control projects on the upper reaches of the Changjiang, speeding up the reform of the system of free medical care, enabling social groups to run schools, and so on, thus playing an important role in the decisionmaking process of the party and the government. The CPPCC organizations at various levels in Sichuan Province have also, in various ways, provided economic and technological consultative services to the society; helped small and medium-sized enterprises to improve their operation; invited advanced technologies, funds, and qualified personnel; and developed external economic cooperations. They have also helped the rural areas to readjust their production structure, develop the commodity economy, run various types of spare-time schools, and train qualified personnel

needed for the rural economic construction; compiled and published historical accounts of past events; and carried out ideological education on patriotism and socialism among the youth.

- The CPPCC organizations at various levels in Sichuan Province have helped Sichuan Province to implement various united front policies and safeguard and develop the political situation of stability and unity in Sichuan Province. The CPPCC organizations at various levels in Sichuan Province have also carried out close cooperation with the departments concerned in an effort to implement the various state policies. After years of hard work, all the relevant state policies have been basically implemented among all the CPPCC members at national, provincial, city, prefectural, and county (district) levels and all the problems in this regard have been properly handled. In the meantime, the CPPCC organizations at various levels in Sichuan Province have also made their contributions to implementing the policies toward intellectuals, the policies toward former industrial and commercial operators, the policies toward ethnic minorities, the religious policies, the policies toward Overseas Chinese, the policies toward the Taiwan compatriots and their families relatives who are still living on the Chinese Mainland, and the policies toward former KMT personnel who crossed over to the side of the people. As a result, over 0.6 million people have thus far benefited from the implementation of these united front policies.
- The CPPCC organizations at various levels in Sichuan Province have also carried out activities aimed at promoting friendship with foreign countries and regions and promoting people's diplomacy and have made important contributions to the great cause of reunifying our motherland and safeguarding world peace. Taking into account the fact that most of the CPPCC members and the well-known personages of all walks of life have relatives and friends living abroad, the CPPCC organizations at various levels in Sichuan Province have helped to enhance the contacts between Sichuan Province and the Taiwan compatriots, Hong Kong and Macao compatriots, and the Overseas Chinese and have also actively carried out activities aimed at promoting friendship with foreign countries and regions. The CPPCC organizations at various levels in Sichuan Province have carried out propaganda on the proposition of "one country, two systems," the principled policy of peaceful reunification of the motherland, and the great achievements of the socialist construction on the Chinese Mainland through articles, pictures, and recorded speeches. By adopting the method of "going abroad and inviting home," the CPPCC organizations at various levels in Sichuan Province have also sent their members abroad to visit their relatives, carry out investigations, and take part in academic activities and have invited the well-known personages of the Taiwan compatriots and Hong Kong and Macao compatriots to come to Sichuan Province for sightseeing tours, academic

exchanges, business talks, and so on. Last year, Sichuan Province received and entertained a total of over 64,000 Taiwan compatriots. Moreover, by following our country's foreign policies, the CPPCC committees at various levels in Sichuan Province have extensively carried out activities aimed at promoting people's diplomacy. Some CPPCC organizations at provincial and city levels in Sichuan Province have received and entertained not a few friendly personages from some foreign countries and regions and have therefore played a positive role in enhancing friendship among the people of all countries in the world and safeguarding the world peace.

Sichuan January Industrial Situation Reported
HK1002054989 Chengdu Sichuan Provincial Service
in Mandarin 2300 GMT 9 Feb 89

[Text] A good tendency has appeared in the industrial production of our province, which is growing at an appropriate rate.

According to a bulletin compiled by the provincial statistics bureau, the provincial gross output of industrial production reached 4.891 billion yuan in January, an increase of 9 percent over the same period of last year. Of this, the output of light industry increased by 10.45 percent, heavy industry by 7.69 percent, industries owned by the entire people by 6.93 percent, and collective-owned industries by 15 percent. Meanwhile, the output of major energy products, including coal, natural gas, and power, as well as high-grade durable consumer goods, including color television sets and refrigerators, all increased by varying degrees. Nevertheless, the output of basic raw and semi-finished materials, including steel, rolled steel, cement, cotton yarn and raw silk, all declined.

As far as our industrial production is concerned, we must continue to implement the principle of improvement and rectification, readjust the product mix, increase social efficient supply, change the situation in which the output of raw and semi-finished materials and textile products is declining, and strive for high and stable yields so that industrial production of our province will be able to grow at an appropriate rate throughout the year.

Tibet Leaders Visit Panchen Lama's Parents
HK1002081589 Lhasa Tibet Regional Service
in Mandarin 1130 GMT 9 Feb 89

[Text] According to XIZANG RIBAO, regional party committee Secretary Hu Jintao, Deputy Secretary Raidi, and regional people's government Chairman Doje Cering went to the General Hospital of the Tibet Military District on 7 February to see and comfort the parents of the 10th Panchen Lama, Great Master Bainqen, and his sutra teacher, Living Buddha Jamyang.

After the passing away of Great Master Bainqen, Living Buddha Jamyang, 76 years old, kept busy by making arrangements for the Great Master's funeral. But he has not felt very well in recent days because of his old age, and has been overstraining himself and feeling excessive sorrow.

The regional party committee and people's government are very concerned about his health and sent a special plane on 6 February to carry him to Lhasa for medical consultation and treatment.

When meeting Living Buddha Jamyang in a ward, the three leaders presented him with hadas and gifts and inquired after his health. Comrades Hu Jintao, Raidi, and Doje Cering expressed the hope that the sutra teacher would take good care of himself. They also told him: Leaders of the regional party committee, the regional people's government, and the departments concerned in Xigaze had pledged to make proper arrangements for the remains of Great Master Bainqen as requested by you; all medicines and materials needed have been flown to Xigaze. They expressed the hope that Living Buddha Jamyang would feel at ease and take good rest and nourishment to regain his health.

Living Buddha Jamyang expressed heartfelt thanks to the regional party committee and people's government for the solicitude shown to him. The sutra teacher said: The regional party committee has, despite many claims on its time, given great attention to, and made many preparations for, the funeral of Great Master Bainqen. At the same time, the regional party committee is very concerned about my illness too. I thank you very much.

The regional leaders also asked comrades responsible for the hospital to provide serious consultations and careful medical treatment for Living Buddha Jamyang and do everything in their power to help the sutra teacher have a quick recovery.

After that, Comrades Hu Jintao, Raidi, and Doje Cering went to the ward where the parents of the Great Master were staying. They presented hadas to the two elderly people and extended their best regards to them, wishing them a quick recovery. The father of the Great Master first expressed hearty thanks to the regional party committee and government leaders for calling on them in the midst of pressing affairs. He said: Leaders of the hospital have attached great importance to our medical treatment and come to the ward very often for examination. Meanwhile, doctors and nurses of the hospital have also given us special care, and we have once again been up and about. The three leaders were very happy to know about the improvement in their health. They also said: We will do our best to make proper arrangements for the remains and funeral of the Great Master and hope the two elderly people will recuperate.

Tibet Lamasery Extends Thanks to Local Party
OW0902182589 Beijing XINHUA in English
1607 GMT 9 Feb 89

[Text] Lhasa, February 9 (XINHUA)—The administration of the Zhaxi Lhunbo Lamasery has sent a telegram of thanks to the Tibet Regional Communist Party Committee and government for their great attention to the Panchen Lama while he was critically ill.

It pledged to be patriotic, work to strengthen national unity and safeguard the unity of the motherland.

It expressed satisfaction with the regional leaders' arrangement over the funeral of the Panchen Lama. "This reflects the correctness of the Communist Party's policies on religion and nationality and is in accord with the wish of the monks and masses in Tibet," it said.

The administration said that it will turn grief into strength, carry out the behest of the Panchen Lama and, under the leadership of the Communist Party and the government, love the country, uphold Buddhism and do a good job in administering the lamasery.

The General Offices of the Chinese Communist Party (CPC) Central Committee and the State Council also sent a telegram to the administration of the Zhaxi Lhunbo Lamasery to express condolences over the death of the Panchen Lama.

In the telegram, the CPC Central Committee and the State Council highly commended the administration and monks of the Zhaxi Lhunbo Lamasery who love the country and Buddhism under the leadership of the Panchen Lama and contribute to the political stability, unity and progress in the Tibet Autonomous Region, Xigaze in particular.

The CPC Central Committee hoped that all monks of the Zhaxi Lhunbo Lamasery, under the leadership of the local party committee and government and the administration, do a good job of the matters related to the funeral of the Panchen Lama, carry out his behest, love the country, uphold Buddhism, and work to strengthen the unity of the motherland and build Tibet into a thriving socialist Tibet.

Xigaze Marks Festival With Subdued Celebration
OW0902182789 Beijing XINHUA in English
1610 GMT 9 Feb 89

[Text] Xigaze, February 9 (XINHUA)—The more than 70,000 Tibetans and Hans spent their traditional festivals here in silent mourning over the demise of the Panchen Lama.

The Spring Festival, a festival of the ethnic Han, fell on February 6, and the Tibetan New Year's Day came one day later.

During the festivals, most of the houses were closed and there were very few pedestrians on the street. The color bunting, a traditional decoration for the occasion, can hardly be seen on the roof of the Tibetans. The Hans no longer decorated their doors with the antithetical couplets usually written on red paper.

Cering Lobu, a Tibetan old man, said, "This is the most special way to mourn the passing away of the Panchen Lama."

Though people still have their traditional family dinner, they have it in immense silence.

According to Cering Bandain, the mayor, the city cancelled a planned traditional horse race that had been suspended for 30 years and theatrical shows at local towns.

The peddlers were no longer using music to attract customers and many Tibetans postponed their wedding, the mayor said.

Beijing Tibet Office Works for Region's Economy
HK1002044589 Lhasa Tibet Regional Service
in Mandarin 1130 GMT 9 Feb 89

[Excerpts] The Office of the Tibet Regional People's Government in Beijing has given top priority to serving Tibet's economic construction in its work. In 1988 the office supplied the region with goods such as building materials, agriculture-related materials, and commodities exceeding 130 million yuan.

The office is an agency of the Tibet Regional People's Government in Beijing. Its duty is to contact with departments affiliated with the central authorities and the State Council in vocational work, to establish lateral economic ties with different provinces and cities of our country, to provide economic information to different departments in Tibet, and to receive cadres and workers from Tibet in Beijing and foreign visitors to Tibet. [passage omitted]

In 1988 the office took economic work as its major task. Through economic cooperation with different provinces and cities of the country, it supplied Tibet with building materials amounting to 76 million yuan; daily necessities exceeding 40 million yuan; and 400 tons of agricultural plastic sheeting, 150 tons of farm chemicals, and 400 tractors, all of which totals 16.3 million yuan. [passage omitted]

North Region

Li Ximing Attends Beijing Rural Work Conference
SK1002054589 Beijing BEIJING RIBAO in Chinese
15 Jan 89 p 1

[Excerpts] The municipal rural work conference, which was cosponsored by the municipal party committee and municipal government, opened in Miyun County yesterday. Municipal leading comrades, including Li Ximing,

secretary of the municipal party committee; Li Qiyan and Wang Jialiu, deputy secretaries; Li Zhijian and Yuan Liben, members of the Standing Committee of the municipal party committee; Huang Chao, vice mayor; and Feng Mingwei, vice chairman of the municipal CPPCC Committee, attended the conference on the first day. They summed up the work of 1988 and discussed the major plans on how to enhance spirit during this year, deepen reform, develop the rural economy of the suburban areas in a sustained and steady manner, and reap a bumper harvest together with hundreds of cadres from counties, townships, and various bureaus and general companies concerned in the Beijing suburban counties and districts.

The conference was presided over by Li Qiyan. Comrade Li Ximing gave an important speech at the conference. On behalf of the municipal party committee and the municipal government, he first extended cordial regards to the broad masses of cadres who have been working on the forefront of the rural areas for a long time, and to millions of cadres and the people who have made major contributions to developing agricultural production in the Beijing suburban areas and supplying nonstaple foods to the capital. He said: In 1988 we overcame hosts of difficulties and scored great achievements. This was the result of your hard work and strenuous efforts. During this conference, we should further earnestly study and understand the guidelines of the central rural work conference and the decision of the CPC Central Committee and the State Council on reaping a bumper agricultural harvest, clearly understand the current situation, formulate measures in line with the rural situation in the Beijing suburban areas, fulfill the various tasks for 1989, and strive to achieve greater success.

Li Ximing emphatically pointed out: The task of deepening reform facing us is very arduous. Whether we can steadily develop the rural economy in the suburban areas in the course of improving the economic environment and rectifying economic order is a test for the suburban party organizations and all cadres and party members. Therefore, we should particularly stress the necessity of strengthening party leadership and of fully displaying our political advantages. It will be difficult to carry out reform without forceful and effective ideological and political work. He called on party organizations at all levels and the broad masses of party members to display their vanguard and exemplary role under the new situation, mobilize all the people to engage in hard work and arduous struggle, and to greet new tests.

Vice Mayor Huang Chao gave a speech, entitled: "Enhance Spirit, Deepen Reform, and Strive To Constantly and Steadily Develop the Rural Economy of the Suburban Areas in the Course of Improving the Economic Environment and Rectifying the Economic Order." [passage omitted]

He summed up and reviewed the achievements and experience in the suburban rural areas during the past year:

—We attained the target of quadrupling the total industrial and agricultural output value on the basis of 1980's figures ahead of schedule. It is expected that the total annual industrial and agricultural output value will reach 15.1 billion yuan, an increase of 34.5 percent over the previous year, which is 4.6 times the figure of 3.33 billion yuan in 1980.

—We comprehensively increased the production of grain and nonstaple food. The level of specialization, commercialization, and modernization rose remarkably. Grain production entered a new stage and the per-mu yield surpassed 500 kg for the first time. The total output reached 2.345 billion kg, an increase of 3.4 percent. During the 10 years since the 3d Plenary Session of the 11th CPC Central Committee, the grain output of the suburban areas showed an average annual increase of 100 million jin (50 million kg).

The production plan of nonstaple food, which is closely related to the markets of the capital, was comprehensively overfulfilled. The output of vegetables, milk, eggs, hogs, chickens, beef-cattle, and mutton-sheep which were sold as commodities to regulate the markets, the catch of fish, the output of watermelons, and the total output of preserved and fresh fruits all showed marked increases over the previous year.

The construction of all production bases and infrastructural facilities became more specialized, commercialized, and modernized. The construction of 3 million mu of grain production base began comprehensively and construction of 240,000 mu of vegetable production base, whose products are sold as commodities to regulate the markets, and 35,000 mu of modern vegetable fields was readjusted and supplemented in line with the planned standards. Two 10,000-head and one 5,000-head dairy cattle bases were initially completed.

—We constantly developed township enterprises and further readjusted the rural production set-up. The total revenues from township enterprises surpassed the target of 10 billion yuan and reached 10.8 billion yuan, an increase of 36.9 percent over the previous year. Some 1.37 billion yuan of profits were earned, an increase of 20.6 percent. Of the 66 key technological transformation projects with an investment of more than 1 million yuan each, 33 were completed and commissioned within the year. And these projects added a new output value of 600 million yuan and a profit of 80 million yuan. Encouraging achievements were made in conducting economic coordination and cooperation with major industrial units of the municipality, and central and city-level departments. Some 330 industry-agriculture joint enterprises were put into production and 205 cooperative projects were under construction. More than 20,000 specialized technical personnel of various types were brought in. Through 3 years of implementation, 701 "Spark Plan"

projects helped bring in and popularize nearly 2,000 scientific and technological achievements and create 530 million yuan of output value.

The rural production set-up was further readjusted. The ratio of agricultural output value to non-agricultural output value rose from the previous year's 21:79 to 19:81, and the ratio of output value of the cropping industry in the agricultural sector to that of other trades rose from the previous year's 58:42 to 55:45.

—We made new progress in developing foreign economic relations and trade and in developing agriculture. During the past year, the suburban areas received approval to develop 80 projects with foreign capital. This was equivalent to the total sum of the past few years. Some \$37 million in foreign funds were used. The foreign export trade volume reached 780 million yuan, an increase of 30 percent over the previous year. There were a total of 580 export enterprises.

—We further deepened rural reform and achieved remarkable results in developing large-scale farming. The township enterprises in the suburban areas continued to deepen reform; universally popularized the system under which the factory director is held responsible for the attainment of certain objectives during his tenure; implemented various forms of contract methods, including making bids for contractors, taking responsibility for the use of funds or the leasing of plants, and the stock-sharing system; and achieved fairly good results in optimizing the labor organizations. Last year, new progress was made in developing

large-scale farming. The grain-producing areas on the plain tried out large-scale farming and about 2,568 villages adopted this method, accounting for 91.6 percent of the total number of villages. About 68 percent of arable land was engaged in large-scale farming. The achievements in promoting large-scale farming in the suburban areas proved that this reform conforms with the actual rural situation in the suburban areas and that the orientation is correct.

—While grasping the building of material civilization, we also achieved tremendous success in building the spiritual civilization. We scored remarkable achievements in conducting general discussions on "further emancipating thinking and the productive forces." [passage omitted]

Huang Chao said: While fully affirming our achievements, we should also clearly recognize that there are still some difficulties and problems in developing the rural economy in the suburban areas. The current major difficulties are the shortage of funds and inadequate animal feed supply. The existing major problems were caused by the decline in economic results. The existing problems and difficulties show that our current attempt to improve the economic environment and rectify the economic order is very necessary and timely. We should conscientiously implement the relevant directives of the CPC Central Committee and the municipal party committee, promote our achievements, overcome difficulties, correct shortcomings, and raise all fields of work in the suburban areas and villages to a new level.

Shanghai Mayor Sends New Year Message to Taiwan
OW1002051289 Shanghai Voice of Pujiang
in Mandarin to Taiwan 1000 GMT 6 Feb 89

[Text] Listeners, the following is the text of a written message from Mr Zhu Rongji, mayor of Shanghai Municipality, on the occasion of the Spring Festival:

Dear Taiwan compatriots: The Spring Festival of the Year of the Snake, a happy, festive time for all Chinese people, is upon us. On this festive occasion, more than ever we think of our dear ones far away from home. On behalf of the 12 million Shanghai residents, I wish you—my elders, brethren, and sisters—a happy New Year.

I was transferred to work in Shanghai, China's largest city, last year. When I was elected mayor of Shanghai Municipality at the seventh municipal congress last April, I was deeply moved by the trust vested in me by Shanghai's residents. Being aware of my own minimal talent and knowledge and my inability to shoulder this heavy responsibility, I can only hope to work hard and conscientiously in serving the residents of Shanghai to the best of my ability. Fortunately, despite numerous natural disasters last year, we fulfilled all our planned tasks, thanks to the support and concerted efforts of the people of the whole city.

Last year, Shanghai's total industrial output topped 100 billion yuan for the first time in history, and its exports reached an all-time high. Shanghai's investment environment is also improving. More and more foreign businessmen have come to Shanghai to build industrial plants or set up companies. Every day changes are witnessed in the three economic and technological development zones of Minhang, Hongqiao, and Caosiding, which have opened up to the outside world. Shanghai has 10 counties under its jurisdiction. In line with Shanghai's developing economy, Baoshan District was created last year by combining Baoshan County and Wusong District. It is here that the world renowned Baoshan Iron and Steel Complex and the Shanghai steel mills Nos 1 and 5 are located, forming a major metallurgical industrial center in Shanghai. Since the merger, all undertakings have flourished. Tremendous changes have also taken place in all the other nine counties. Bumper farm crops have been harvested each year. Village and town industries are developing by leaps and bounds. Last year, Shanghai was supplied with plentiful nonstaple foodstuffs and vegetables. Their prices were both reasonable and stable, to the satisfaction of the majority of residents.

Residents of old Shanghai now living in Taiwan may still remember Shanghai's shanty towns and the small sampans sailing on the Huangpu Jiang. Today those shanty towns are being replaced by mushrooming highrises. Last year alone, some 4.6 million square meters of housing were built, and nearly 100,000 families moved into new living quarters. Today, each Shanghai household has either some relatives or some friends who have moved into new quarters.

Pudong is no longer a suburb, as in the past. A tunnel and a bridge were built across the Huangpu Jiang several years ago. On the eve of New Year's Day, another tunnel crossing the Huangpu Jiang, located at Waitan, away from downtown Shanghai, was opened to traffic. Right now another bridge across the Huangpu Jiang, within the city limits, is under construction. In short, everything is Shanghai is changing fast. Shanghai is becoming more and more beautiful each day.

Looking back at the past year, most gratifying was the fact that, after suffering more than 30 years of separation, many Taiwan compatriots finally returned to their native land of Shanghai, which they had longed to do day and night for more than 30 years, and were reunited with their relatives. The more than 100,000 former Shanghai residents now living in Taiwan have more than 200,000 relatives living in Shanghai. In 1988, more than 130,000 compatriots came to Shanghai to visit relatives or as tourists. For more than 20,000 of them, Shanghai is their native home. When they left, their heads were covered with black hair, but when they returned, their heads were covered with white hair. Fortunately, they are finally able to be reunited with their relatives despite mixed feelings of joy and sorrow.

As the mayor of Shanghai, I have a growing desire for an early reunification of the motherland. I earnestly hope for an early end to the abnormal situation of long separation. Let us hope that more compatriots can return to reunite with their relatives in Shanghai, and that more Shanghai residents can go to Taiwan to visit their relatives there.

In the new year, the people's governments at all levels in Shanghai will continue every effort to provide conveniences for compatriots who come to Shanghai to visit relatives, as tourists, to do business, or to invest.

In conclusion, I wish you all good health and happiness. I also hope that separated relatives will be able to reunite as soon as possible and that the motherland's reunification will be achieved at an early date.

Writer Ba Jin Declines Invitation To Visit Taiwan
OW0902080489 Beijing in Mandarin to Taiwan
0400 GMT 8 Feb 89

[Text] According to a XINHUA report from Beijing, the 6 February LIAOWANG OVERSEAS EDITION discloses that Ba Jin, the wonder of the Chinese literary circle, said: In view of my present physical condition, I will not be able to make the trip to Taiwan, even though there are many old friends there whom I would very much like to see. He received an invitation from Taiwan's literary circle to visit Taiwan. Ba Jin said: Because I cannot write now, I am unable to reply to the letters sent by some friends one-by-one. I must ask their forgiveness.

Ba Jin still lives a regular life. He gets up at 0630 every morning. If the weather is fine, he sits for a while in the yard and takes a short walk. If the weather is not fine, he walks around inside the house.

Ba Jin is still making contributions to the literary field of China. In 1988, Ba Jin sorted out his own works written over half a century, compiled them into 12 volumes, and handed them over to the People's Literary Publishing House for publication.

It is reported that seven volumes of his works have been published.

XINHUA on Mainland, Taiwan Exchanges
OW0902124089 Beijing XINHUA in English
0909 GMT 9 Feb 89

[Text] Beijing, February 9 (XINHUA)—There were explosions in Xiamen and Quemoy, two islands separated by the Taiwan Strait, on Monday evening. But these were made by fireworks celebrating the arrival of the Chinese New Year and not, as in the past, by shells.

The joint celebration signified the improvement of relations between Taiwan and the Chinese mainland over the past year, reported the OVERSEAS EDITION of the PEOPLE'S DAILY today. There were cultural, scientific, academic and sports exchanges.

Nearly 450,000 people from Taiwan visited family members and relatives, came for holidays or arrived to do business on China's mainland last year, Sun Xiaoyu, a leading official from the Taiwan Affairs Office under the State Council, was quoted as saying.

Meanwhile, 389 mainlanders went to Taiwan to attend funeral services for deceased relatives, Sun said.

Economic and trade ties were valued at 2.4 billion U.S. dollars 1 year, half as much again as in 1987. [sentence as received]

By the end of last December, hundreds of entrepreneurs from Taiwan had opened factories on the mainland, the paper said. Taiwanese businessmen took out 109 patents and applied for 642 registered trademarks.

Most economic contacts are conducted through a "third party". Economists from Taiwan have stressed that indirect trade will bring little benefit to both sides and have called for direct trade between the mainland and Taiwan, the paper reported.

The paper reported that post offices on the mainland received 1.48 million letters from Taiwan and sent two million to the island last year.

Four artistic troupes in Taiwan have come to give performances on the mainland, there have been seven art exhibitions by Taiwanese painters and over 100 Taiwan journalists have been allowed to cover reports on the mainland, the paper said.

Taiwan Fishermen Appreciate Zhejiang PLA Aid
OW1002045089 Hangzhou Zhejiang Provincial
Service in Mandarin 1000 GMT 7 Feb 89

[Text] The PLA naval vessels stationed in Zhejiang are quick to offer Taiwan fishing boats pilotage, salvage, and rescue, along with fresh water and other provisions, and are greatly appreciated by their Taiwan compatriots.

In recent years, as contact between both sides of the Taiwan Strait has increased, more and more Taiwan fishing boats are fishing in the Zhoushan fishing grounds. PLA naval vessels patrolling the territorial waters of the province are very obliging to Taiwan fishing boats in solving their problems.

Last 27 July, late at night, the main engine of the Taiwan fishing boat Ri Yi suddenly broke down as the vessel steamed to the east of Zhoushan Qundao. The boat was in danger of running on the rocks. PLA naval vessel No 862, on receipt of a rescue order, set sail immediately that night from [words indistinct] in Zhoushan and, braving Force 7 gusts, searched the seas in pitch darkness for more than 2 hours to find the boat, and towed it safely back to (Shenjiamen) port for repair.

Last year, in the 1st half of August, when Typhoon No 7 hit the coastal fishery of the province, 105 Taiwan boats fishing there took refuge in nearby fishing ports. Water boat No 637 of the East China Sea Fleet worked continually for more than 10 hours to provide fresh water for those Taiwan boats to ensure they had enough water for their stay and, after the winds died down, could go back to work in the fishing grounds.

Radio Commentary Views Sino-Soviet Summit
OW0902144389 Taipei International Service
in English 0200 GMT 9 Feb 89

[Station commentary: "A Peking-Moscow Summit in the Making"]

[Text] This week Eduard Shevardnadze became the first Soviet foreign minister to set foot in Communist China in nearly 30 years. He is calling in Peking to arrange a summit for later in the year for Soviet leader Mikhail Gorbachev and Communist China's paramount leader, Teng Hsiao-ping.

This meeting between the Soviet foreign minister and his Chinese Communist counterpart was long in the making for several historical reasons. First, Soviet Russia and Communist China developed a rift in relations in the late 1950's after Mao Tse-tung was tired of being treated as a little brother by the big brother to the north. Mao kicked out Soviet advisers and took Communist China off on a course independent of Moscow.

Less than a decade later, Peking and Moscow had become competitors for influence in Vietnam and other parts of Southeast Asia. Their rift grew wider in the early 1970's when Washington entered the equation, playing the so-called "China card" off the Soviet Union.

Since Mao's demise in 1976, Communist China has indeed come closer to the United States than to the fraternal communist regime in Moscow. At first, Teng's flirtation with privatization and free markets perturbed Moscow. But now, Moscow is beginning to take Peking's cue on economic reform and dabble in some reforms of its own.

Since 1978, Peking has maintained a distance in relations with Moscow, largely due to three reasons. First, Peking objects to the Soviet Union's massive military build-up along the Sino-Soviet border. Second, Peking has objected strongly to Moscow's invasion of Afghanistan, which also borders parts of Northwest China. And lastly, Peking has said it will not discuss bilateral issues with Moscow until the Soviet Union leaves Kampuchea, or orders its client state, Vietnam, to pull out of Kampuchea.

In the last year or so, Moscow has signaled a willingness to cooperate. The Soviet Union is pulling out of Afghanistan, and the Vietnamese are withdrawing from Kampuchea, or Cambodia. Tensions along the Sino-Soviet border have also become minimal in recent years. All of these factors have increased the likelihood of a rapprochement between Peking and Moscow.

Still, the communist giants have several obstacles to better relations to overcome. Among these are their respective imperialistic designs on Southeast Asia. Although the Soviets are withdrawing forces in some parts, they nevertheless maintain a substantial presence

in the region. Meanwhile, Communist China, while currently looking inward to solve problems, has not yet given up its goal of dominating the region. Thus there is still much room for conflict between the communist powers-that-would-be in Asia.

Offsetting this, however, is the mellowing trend in international relations in Asia and elsewhere around the globe. Some call it "communism in recession." Others call it merely a recess in communist imperialism, until the communists get their own houses in order.

Either way, a Moscow-Peking summit later in the year should be a factor favoring stability and peace in this region. But if the two communist giants do bury the hatchet, it is still too early to tell what that will mean for the free world.

Trade Mission To Visit East Europe in March
OW0902152789 Taipei CNA in English 1335 GMT
9 Feb 89

[Text] Taipei, Feb. 9 (CNA)—The China External Trade Development Council (Cetra) will organize a fact-finding trade mission in March to study East European markets in order to promote bilateral trade relations, a ranking Cetra official announced Thursday.

The Cetra official said that the ROC [Republic of China] trade mission will visit Hungary, Yugoslavia and Bulgaria in March. "These nations can serve as a bridge for promoting ROC-East European trade relations," he said.

Cetra will also work actively to sponsor local trade delegations to attend international trade shows held in Hungary, East Germany, Yugoslavia and Poland, in order to help local exporters develop foreign markets.

Premier Stresses Rule of Law in New Year Speech
OW1002050789 Taipei CNA in English 1446 GMT
9 Feb 89

[Text] Taipei, Feb. 9 (CNA)—The Republic of China [ROC], which saw an increasing number of social dislocations during the past 2 years, must get back on the track of stable development in 1989, Premier Yu Kuo-hua said Thursday.

Premier Yu made his remarks while hosting a Lunar New Year tea party Thursday morning for cabinet members at the Executive Yuan.

In his remarks, Yu pointed out that the Year of the Snake would be a vital moment in the ROC's development history. Using a metaphor, he said the nation has had enough "pangs of childbirth," usually regarded as necessary evils for a nation which is moving from the status of

a developing country to that of a developed one, and that social order must be maintained so that concerted efforts can be made to further national development.

"This will not be easy," the premier said, "but I'm sure that the goal can be achieved, judging from the successful political reforms of the past 2 years."

While lauding their past performance, he urged all cabinet officials in attendance, including Vice Premier Shih Chi-yang and the chiefs of various cabinet units, to improve coordination and to be determined to brave the challenges of the coming year.

Yu also wish them good health and happiness in the New Year.

Hong Kong

Government Objects to U.S. Criticism on Refugees

HK1002055989 Hong Kong SOUTH CHINA
MORNING POST in English 10 Feb 89 pp 1, 2

[From Michael Chugani in Washington and Fiona MacMahon]

[Text] Top United States congressmen have heard strong criticism of Hong Kong's Vietnamese refugee camps and policies at a special meeting on the Indochinese refugee problem.

The Foreign Affairs Committee of the House of Representatives was told of the "heat and stench of San Yick" and the prisons of China Ma Wan and Hei Ling Chau.

Hong Kong was singled out from other Southeast Asian countries for its policy of screening out asylum seekers it considers to be economic migrants and seeking to repatriate them to Vietnam. There were even hints that coercion was being applied.

However, the complaints and allegations were dismissed yesterday by Hong Kong Government officials and legislators.

Legislative Councillor Mr Jimmy MacGregor said its was "galling" that such criticisms of Hong Kong's policies were made from afar.

Fellow council member Mrs Rita Fan Hsu Lai-tai said if it was not proper to differentiate between political refugees and economic migrants, then why were the Americans sending Mexicans back across the border.

At the congressional sub-committee meeting on Wednesday [8 February], the sharpest barb was hurled by the Reverend Donald Larsen, chairman of the Committee on Migration and Refugees, who took issue with Hong Kong's determination to proceed with voluntary repatriation of boat people.

"Those who have languished for years in the prisons of Chi Ma Wan and Hei Ling Chau or survived the heat and stench of San Yick would be the best judges of where the fine line between voluntary repatriation and coercion lies," Mr Larsen told the committee.

He said the past 12 months had been "most unkind" to the Indochinese refugees and the months ahead looked even less promising.

"The Vietnamese boat people, welcomed in the past with compassion, are suddenly no longer welcome. Yesterday's refugees—victims of oppression—are today's illegal entrants, subject to vigorous screening and repatriation," he said.

"In our search for quick solutions to the continuing exodus of boat people, we must be prudent in exercising such methods as screening lest we diminish the true definition of who is a refugee."

The president of Refugees International, Mr Shepard Lowman, who visited the territory last autumn, said Hong Kong and Thailand's screening programs were "riddled with procedural and substantive failures".

Mr Lowman said it was extremely difficult to separate the political refugee from the economic migrant and impossible to do so with an acceptable degree of error.

He said the Hong Kong screening process improperly sentenced a civilian population, including women and children, to indefinite detention as illegal immigrants.

The top U.S. official on refugee affairs, Ambassador Jonathan Moore, told the congressmen that the world had grown tired of the refugee problem which has lasted much longer than expected.

"There are not the resources available to effect a solution and there is, on many levels and in all nations, a weariness of dealing with an issue which was never expected to have the duration this has had," said Mr Moore.

Other witnesses appearing before the committee complained about the half-hearted attitude towards first asylum in Southeast Asia and urged the U.S. to increase its overall intake of refugees instead of shifting Indochinese resettlement places to accommodate Soviet Jews.

The hearing, chaired by Congressman Stephen Solarz, was called to look into how much funding and political support would be needed to operate a realistic refugee program.

The U.S. Deputy Assistant Secretary of State for East Asian and Pacific Affairs, Mr David Lambertson, told the hearing that indications that the major resettlement countries were tiring of the Indochinese refugee problem had caused first asylum countries to believe they would be stuck with unwanted asylum seekers who could not be easily assimilated.

"There is still an international consensus in support of humanitarian remedies for this immensely difficult problem, but recently the countries of first asylum in East Asia have begun to fear that it may be weakening."

During the hearing Mr Moore acknowledged that money was a main problem in resettling more refugees and revealed that the administration was considering a plan under which refugees would be able to finance their own resettlement in the U.S. through Government guaranteed bank loans.

Meanwhile, in Hong Kong, Government Refugee Coordinator Mr Michael Hanson described the allegation that the administration was coercing the Vietnamese to return as "extraordinary and without foundation".

He said the people who have volunteered to return had not been processed by the Hong Kong Government but by the UNHCR [United Nations Office of High Commissioner for Refugees].

The UNHCR's charge de mission, Mr F. Karim, reiterated that the UN refugee body had interviewed every one of the Vietnamese who had volunteered to return home and in no way had any been coerced.

He said the Vietnamese had the choice of withdrawing their application.

About a third of those Vietnamese who originally asked to be sent back have since withdrawn their applications.

Mr Hanson said Hong Kong's screening policy followed the UNHCR guidelines and procedures.

Most countries dealing with refugees accept the principle that the status of asylum seekers can be determined, he said.

He added that Hong Kong was forced to introduce screening because the resettlement countries were no longer meeting their commitments to take refugees.

PRC Vice Foreign Minister's Visit Previewed

HK1002052989 Hong Kong SOUTH CHINA
MORNING POST in English 10 Feb 89 p 5

[By Chris Yeung]

[Text] Chinese Vice-Foreign Minister Zhou Nan is expected to renew pressure on Britain to solve the Vietnamese refugee problem by 1997 when he arrives in Hong Kong for a five-day visit on February 28.

Mr Zhou, the most senior-ranking Chinese official to make an official visit to the territory since 1949, is almost certain to relay Beijing's concern about the refugee problem when he meets the Governor, Sir David Wilson.

His visit comes only weeks after two senior Chinese officials, Mr Li Hou and Mr Lu Ping, both deputy directors of the Hong Kong and Macao Affairs Office under the State Council, suggested that Britain should come up with a solution before sovereignty reverts to China in 1997.

Beijing is understood to be unhappy with Britain's handling of the matter and wants a concerted effort made to resettle or repatriate Hong Kong's entire population of more than 25,000 boat people before 1997.

Mr Zhou's visit will come on the heels of a trip by Sir David to London to report to Prime Minister Margaret Thatcher on local feelings regarding the refugees, among other issues.

Mr Zhou is also expected to discuss plans for the next round of consultations on the second draft of the Basic Law.

The draft will be released after it is approved by the Chinese National People's Congress standing committee next month.

It will be the first meeting between Mr Zhou and Sir David since early November.

The pair met in Beijing for sensitive discussions on setting up the first transitional government which will be in place by July 1, 1997.

After meeting local government officials and community leaders, Mr Zhou will travel to Macao on March 7 where he will be the guest of Governor Carlos Melancia for three days.

Visit to Macao Scheduled

HK1002053789 Hong Kong HONGKONG STANDARD
in English 10 Feb 89 p 2

[By Harald Bruning]

[Text] The Chinese Vice-minister for Foreign Affairs, Zhou Nan, is scheduled to make his debut visit to Macao next month.

Mr Zhou is expected to begin a three-day visit to the Portuguese enclave on March 7.

A high-ranking Macao official, who declined to be named, said: "I would not deny that Zhou Nan will visit Macao in the second week of March."

Mr Zhou was leader of the Chinese team during Sino-Portuguese talks on the enclave's political future.

It is believed the vice-minister will first pay an official visit to Hong Kong, then take a short holiday break in Zhuhai before visiting Macao.

He is to enter the enclave via Gong Bei, Zhuhai's border town.

Macao observers believe Mr Zhou did not want to proceed directly from Hong Kong to Macao, returning first to Chinese territory as a gesture that the enclave is a socially distinct and politically separate entity from Hong Kong.

"This is a good sign of the Chinese leaders to make a clear-cut difference between the two territories," a Portuguese advisor to Macao Governor Carlos Melancia said.

Mr Zhou, 61, is a member of both Hong Kong and Macao Basic Law drafting committees.

His visit will fall between the inauguration of the permanent office of the Sino-Portuguese Joint Liaison Group on February 15 and the 5th meeting of Macao's Basic Law Drafting Committee on March 17.

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